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CZECHOSLOVAKIA, POLAND, YUGOSLAVIA: OBSERVATIONS AND REFLECTIONS

As the news of Czechoslovakia's withdrawal from the Marshall Plan Conference spread in Prague, first by word of mouth, then by official announcement, consternation was the prevailing mood.[1] The intention of its government to participate in the discussion of the European recovery program, "cleared" in Moscow and announced three days before, symbolized the desire and, it was believed, the ability of the Czech régime to work with both East and West. Anything which made this coöperation more precarious was felt as a threat to the security of the reconstituted Republic and to the delicate balance of internal forces.

Participation in the Paris Conference had received the approval of the Communist members of the Czechoslovak cabinet. Outside assistance in Czechoslovakia's economic reconstruction would facilitate its trade with both East and West and would enable it to maintain and improve its standard of living while modernizing its industrial equipment, without increasing political tensions within the country.

Czechoslovakia's remarkable recovery, which had restored its standard of living to ninety per cent of the pre-war level by mid-1947, had been promoted by a happy conjuncture of circumstances, as well as by the industrious and orderly habits of the people. The more important western two thirds of the country had undergone relatively little devastation. While German occupation had caused great hardship and suffering to

[1] This article is based primarily on the writer's observation of conditions in eastern Europe during the summer of 1947.

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the Czech people, the removal of German industry to Bohemia-Moravia meant that its industrial equipment was larger in 1946 than in 1938. An early agreement with the Soviet government (November 1945) on the exact list of enterprises to be removed as German war booty allowed the government to proceed to the rapid reorganization of the bulk of its industrial production.

The basic question now being debated, largely behind closed doors, is whether increased emphasis will be placed on the production and export of consumer goods, which will facilitate expansion of trade with western European and overseas countries, or on heavy capital goods, required for the industrialization of the Soviet Union and other east European countries. Assuming a relatively high level of international trade over the next few years, the maximum improvement in the standard of living would come from a modernization of existing industries, a rapid enlargement in electric power, and a very moderate expansion in the machine-tool industry rather than from a concentration on the producers' goods industries.

Part of the problem arises from the removal of the Sudeten Germans who formerly supplied a large proportion of the skills in the high-grade textile, glassware and other export industries. This gap can be filled fairly rapidly, but this involves a basic decision whether to direct the inadequate supply of manpower, managerial skills and available imports of machinery into the traditional light industries or into the heavy industries. One answer is based on the memory of the depression of the early 1930's, when the light industries were hit first and hardest by the decline in prices and by the wave of currency and quota restrictions. Confident concentration upon light industries means reliance upon the ability of the greater trading nations to avoid depression and to maintain a high level of international trade. Communists are committed absolutely, and Social Democrats only to a somewhat less dogmatic degree, to the belief that depressions are inevitable under capitalism, and hence to gearing the Czech economy to the needs of the allegedly "depression-less" planned economies of its eastern neighbors.

Concentration upon heavy industries would bring different advantages and risks. It means, supposedly, an assured market

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for sale of equipment in the Soviet Union and throughout the eastern tier of states, all of which are committed to policies of rapid industrialization. Gearing Czech production into the programs of industrialization means a planned market for ten to fifteen years. Communists particularly stress the advantage of insulation against dangerous fluctuations in the capitalist markets. On the other hand, there is doubt as to the extent to which these exports can be compensated by imports of goods which are necessary to the Czech economy, itself in need of modern industrial equipment from the West. There is an unspoken fear that when the Czech industrial effort, backed by strong concentration of capital and manpower resources upon expanding the capital goods industries, has been committed to this field, the terms of trade may be weighted more and more against the Czech partner, for lack of alternative customers if for no other reason. In a state-trading system a small but highly industrialized partner may lose the advantages which usually accrue to a country which exchanges industrial goods for raw materials and foodstuffs. In ten years the Soviet Union and other east European states may have less need than now of the production of an over-enlarged Czech machine-tool industry. The optimum line of development, in terms both of raising Czechoslovakia's standard of living and of meeting its obligations to the eastern bloc, probably lies in a compromise, which the Czech political system is especially adapted to provide.

The Czech four-party system operates very nearly as a genuine coalition. The tendency to establish separate party monopolies over the various ministries and economic departments has been kept within certain general limits. Not that there are no complaints. There have been frequent assertions in the press and in parliament that the Ministry of Information, under a Communist minister, is devoted to party propaganda. It is frequently asserted that the unusually high proportion of Communist directors in nationalized industries is due to a private agreement between the Socialist and Communist leaders. The Communists have also retained a leading position in the trade unions, which in turn have coöperated in maintaining a stable wage-price relationship and in avoiding stoppages of work.

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What is less obvious to the eye is the degree to which all types of activity, economic and cultural, have been politicized under the coalition system. Every kind of appointment, in the administration or the economy, is determined by considerations of party loyalty and party balancing. For example, the National Economic Council—the highest expert body advising the cabinet on its economic program—appears to be constituted strictly in accordance with the four-party formula. This has the advantage that when an economic project is presented to the cabinet by the Council it already embodies a compromise of the various party points of view.

It is also being urged by Communists and some Social Democrats that parallel chairs be created in the universities, a chair of economic theory to be paralleled by a chair of Marxist economic theory, a chair of general history by a chair of economic determinism, and so forth. In theory the law on press and publication restricts the right of publication to party associations. One outstanding newspaper, the *Svobodné Noviny,* and numerous periodicals are, however, independent of party control and often attract greater interest of readers just because of that factor. In addition, newspapers from many European countries are delivered promptly, often on the day of publication, and are sold freely on the main streets of Prague.

The fact that only four parties are permitted, that all four compete freely for popular support, and that all four are included in the coalition has resulted in political conflicts being held within manageable bounds and in the preservation of all the democratic freedoms, in line with the Czech determination both to preserve " Masaryk democracy " and to carry out a far-reaching program of economic and social reconstruction. One by-product of the coalition system is that the economic and professional interests of the members of each party are bound up with its continuance. It is safe to say that if one of the four parties broke away from the coalition those of its members who hold posts in the civil service, in the elaborate national economic administration and in other fields might sooner or later find their positions and their prospects endangered. This means that the pressure to remain within the coalition is tremendous,

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even at considerable compromise of party principles, for a party which leaves it loses all influence over the most important segments of political and economic decision and its members may lose not only their influence but their careers. A system of coalition has thus assured stability and continuity within a framework of democratic rights, but the necessity for assuring the working of the system means that within the coalition advantage may often rest with the best organized and aggressively ambitious party.

The political situation in Slovakia appeared less complex but more difficult. In outward matters this finds expression in the almost complete absence of rationing, which operates in very effective and equitable fashion in the Czech lands. In the political sphere two competing parties, instead of four, divide power and responsibility. The tendency to substitute independent party control of administrative bodies for cohesive cabinet control seems far stronger than in Prague. The relation between policy-making in Prague and policy-making in Bratislava remains obscure, and is often determined by party relationships, particularly by the close coöperation of the Communist leadership, rather than by hierarchical principles.

The provisional relationship between the Council of Ministers in Prague and the Council of Delegates in Bratislava has continued since the end of 1944, when Slovakia was liberated first. The permanent relationship between Slovakia and the central government is being hammered out in closed sessions of the Constitutional Commission of the Parliament. It hinges on the striving of Slovakia for a maximum of independent power to make decisions and on conflicting tendencies concerning nationalization, the Slovak Democratic party wishing to limit nationalization to the largest enterprises and to leave commerce almost entirely in private hands. Both Slovak parties seem agreed on the need for the rapid industrialization of Slovakia, but even in this respect the question of speed raises the question of the degree to which the peasant majority will have to pay the costs of forced-draft industrialization.

Slovak-Czech coöperation appears more than ever a marriage of convenience and necessity. On the Czech side there is a feel-

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ing that Slovaks showed little concern for their Czech "brothers" during the long Nazi oppression of the Czech lands. There are hints that Slovakia, freed in the main of rationing, has not taken a fair share of the strain of reconstruction. The Slovaks, on the other hand, enjoyed many of the trappings of independence under the German protectorate and developed their own administrative and cultural life rapidly while the Czechs were deprived of every opportunity of national life and lived under the threat, in case of Nazi victory, of being wiped out as a people.

The Slovaks are even less willing than after 1918 to concede any special right of leadership to the Czechs on grounds of culture or political experience. The fact that the Slovaks were engaged in a bitter partisan struggle and uprising, while the Czechs were forced to wait until the approach of the Allied armies made the success of their uprising certain, rather than risk the final destruction of their already decimated educated class, also plays a part in Slovak assertiveness and Czech uneasiness. Within Slovakia, however, bitter disputes over "collaboration" and "resistance" are a serious divisive factor, one which is by and large absent in the Czech lands.

In Poland too the results of reconstruction are impressive and are a tribute to the great vitality of the Polish people. In this respect Warsaw displays an example of determined rebuilding in the midst of ruins. Fortunately, the stark ruin of Warsaw is not typical of the country as a whole. If all Poland had been reduced to the utter devastation of Warsaw, the prospects of reconstruction and even of perpetuation of the nation would be grim. The ruin of Warsaw is offset by the presence of industrial areas—particularly in Upper Silesia where there was little or no destruction—which pump lifeblood into the economy of the country.

Large UNRRA imports were a vital factor in giving strength for the initial effort of clearing away the impediments to work and in making a beginning of production. On the roads the peasants' neat two-horse carts are drawn now by a single horse. When that horse is a strong, sleek animal, the peasant is likely to wave his whip with pride and say, "UNRRA horse!" The

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influx of UNRRA goods brought a double advantage. It met immediate needs and thus kept the people at work, while the sale of UNRRA goods provided the government in Poland, as well as in Czechoslovakia and Yugoslavia, with funds to carry on pressing projects of reconstruction at a time when they could not have been provided by taxes or internal loans. In Poland, as in Czechoslovakia, the concentration of economic control in the hands of the government has also meant a maximum application of available resources to targets of reconstruction, and an absence of wage disputes and work stoppages. In each of these countries the government has, through nationalization, acquired a large fixed capital without initial cost to itself.

In Poland, as in Czechoslovakia, there is a continuing problem of the large-scale redistribution of a diminished population to make efficient use of the resources of the country and in particular to fill the gaps left by the war and by the removal of most of the German population. In Poland, this problem is bigger and more complex than in Czechoslovakia. The cultural and technical problem of adapting the peasant farmers of former eastern Poland to the requirements of the advanced agriculture of the new " Western Lands " will persist for many years in the form of social frictions and lowered standards of productivity. There is no doubt, however, of the zeal and the fundamental ability with which the Poles have set about integrating these newly acquired territories into the main body of the reconstituted state.

Unlike the Czechs, the Polish régime has not tried to operate its entire economy under a system of strict controls. For all practical purposes the Polish economy operates in two sectors, nationalized and private. Persons doing the same work often receive very different monetary rewards in the two sectors. A construction engineer in the private sector may well receive ten times the cash return of a similar engineer employed in nationalized industry. But the privately employed person fends for himself in procuring food on the private market, instead of receiving part of his living at low state-controlled prices, and he must find his own housing, again at a much higher cost in money.

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The political and psychological uncertainties of living in the private sector also weigh heavily. An enterprise in the private sector has far less assurance of a tomorrow than in Czechoslovakia, and must look to quick turnover and immediate profit. In its present condition of toleration the private sector fulfils important functions in small-scale production and distribution, for the nationalized sector is not yet able to meet the needs of the consumer on an adequate scale, unlike the situation in Czechoslovakia. Whether the government's large-scale plans for rapid development of heavy industry will provide sufficient incentives in consumer goods to maintain and develop efficiency in production on the part of peasants and workers is a key question, and one which is very much to the fore among Polish government planners and economists. If the nationalized sector fails to provide adequate incentives for full productive effort, and the present scarcities and high prices continue, the rôle of compulsion in the process of production is bound to increase, along with governmental pressures to establish its control over those sectors of the economy which it has hitherto not attempted to operate directly.

Government is in the hands of a coalition. Unlike the Czech situation, the Polish coalition consists of two strong parties, the Socialist and the Workers (Communist) parties, with remnants of former parties carried along for the sake of their names. Unlike the two antagonistic Slovak parties, the Communist and Socialist parties offer almost identical programs. Only the two governmental parties are in fact able to carry on party work, publish newspapers, hold conferences, or recruit members. In foreign policy, their orientation is identical; both recognize fully the dominant influence of the Soviet Union over the national future of Poland. Both look to the Soviet Union to protect their claim to the new western boundary, even more so since Secretary Byrnes and Secretary Marshall have pressed the question of revising the provisional boundary established at Potsdam. Both Communists and Socialists, especially among those responsible for the economic development of the country, show a keen interest in developing trade with the West, from which they can secure industrial equipment not available elsewhere, and in securing foreign aid for their industrial development.

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The rapid recovery of the Polish coal industry, enlarged now by the acquisition of German Upper Silesia, has provided a firm basis for carrying on trade with the West, especially since deliveries of coal to the Soviet Union have been reduced and have been priced at a point closer to a commercial price. It has been reported that the last Soviet-gauge railroad—Kattowice-Cracow-Lwow—is being reconverted to Polish gauge in view of the decline in coal deliveries from Silesia. If Britain is able to meet only a small part of the coal import needs of the continent, if American gifts or loans should cease to be available to pay for dollar imports of coal, and if German coal output continues to lag, Poland remains as the one strong supplier of export coal. If such a situation should arise, it is conceivable that the direction of Polish coal exports would cease to be determined by commercial considerations, as heretofore, and would be regulated by political factors, among which direct Polish interests would hold a subordinate place. Meanwhile, there is much virtue in the Polish contention that providing Poland with mining equipment, coal cars and locomotives would be the quickest way to add to the coal supply of Europe as a whole, much quicker than an equal investment in British or German coal production.

Whatever the arguments presented for face-saving purposes abroad, comments heard in Poland always assume that the elections were in no sense free, and that there was no ascertainable relation between the published results and the votes cast. Opposition to political strong-arm methods might be stronger if any substantial part of the people believed that Poland's powerful neighbor would countenance in the foreseeable future any change in the political complexion of the government. Since they do not believe that, large numbers of Poles devote themselves to their immediate tasks, work to rebuild a strong Poland, whatever the complexion of its government, and try to survive. Political discussion is fruitless, dangerous and infrequent.

The relative ease with which persons of the most varied political pasts have been welcomed into the Communist party, with its privileges and responsibilities, is an index of the small numbers left from the original party, which was decimated in the Soviet purge of 1937, and of the great future which party mem-

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bership offers to the ambitious. Membership in the party often remains unavowed. The Communist party of Czechoslovakia gained great advantage from being considered the party closest to the Soviet Union, which is regarded as the traditional Slav brother and as the liberator of the country. In Poland the Workers party suffers from the traditional hostility to Russia and from the immediate effects of Soviet occupation and removals of war booty. Many Poles feel, however, that only a strong Polish Communist party can govern the country and avert the danger of a new Soviet occupation, and that it is better for Poland to be governed by Poles rather than Russians. The pictures of Generalissimus Stalin and other Soviet leaders, which are met at every step in traditionally Russophile Czechoslovakia and Yugoslavia, are conspicuously absent in Poland. While the Yugoslav army has adopted the uniforms and customs of the Soviet army, the Polish army maintains the traditional outward symbols of the past.

Lacking the striking power of the Communist party, the Socialist party is far richer in traditional loyalties among the workers and in educated and experienced personnel. It has so far protected its membership against mass persecution or large-scale removal to prison or prison camp. It has a strong attachment to principles of personal and political freedom. Working strictly within the coalition program and avoiding overt clash with the dominant partner, it has striven for a more humane and regular form of administration and for a gradual establishment of the new social order based on a close study of the economic needs and resources of the country. There have been many signs of Communist pressure for a fusion of the two parties. Thus far, the inner vitality and cohesion of the Socialist party and its undoubted loyalty to the common coalition program have enabled it to preserve its identity.

In Yugoslavia the coalition has become, to all intents, the property of a single monopolistic party, which tolerates the presence of a few hangers-on wearing the labels of non-Communist parties. In practice, the right of publication and association, as well as the control of the government, is a monopoly of one party. Some Yugoslav Communists boast that they have covered

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in two years as much ground as the Soviet régime has covered in ten. In terms of establishing a political monopoly of power, suppressing all actual opposition and perfecting organs for ferreting out suspected or potential opposition, there is much truth in this boast. Judging from the reports of recent trials, it appears that the greatest severity of the régime is now directed against those groups and individuals who coöperated with the Partisan movement but remained outside of the Communist party.

The record of wartime resistance gave the Communist party of Yugoslavia a strong political capital. To a large extent the government machine is operated by enthusiastic party members, between twenty and forty years of age, whose loyalty to the régime was tested in the years of resistance, when loyalty was dangerous and profitless for individuals. The later acceptance of substantial numbers of opportunists and turncoats modifies, without vitiating, the fact that the backbone of the régime is based on large numbers of enthusiastic supporters who have turned from the organizing of the Partisan movement to the reconstruction of the administration and the economy.

The relatively primitive economy of the country offered no strong nuclei which could long resist being digested into the pattern of authoritarian rule laid down by the new régime. Whether the technically trained personnel of the country will be adequate to operate a centrally planned and directed economy efficiently, to restore the standard of living to the pre-war level while meeting the ambitious goals set by the program of industrialization, is another question. In Czechoslovakia and to a lesser degree in Poland a reservoir of trained personnel is available and can be molded with varying degrees of persuasion or pressure to serve the new economy. In Yugoslavia, as Lenin said of Russia in 1917, the backwardness of the economy made it easier to seize power, but more difficult to build a socialist society.

It might be said that each of the three Slav states has the Communist party which it deserved. In pre-war Yugoslavia, " communism " was an elastic term, often applied to liberal and democratic critics by the heavy-handed police of the old régime,

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while in Czechoslovakia the party was a legal association, competing for influence and votes under conditions of freedom of the press and assembly. Before the war one factor which won many idealistic Yugoslav intellectuals to support communism was that it propagated the necessity for real equality and coöperation among the peoples of Yugoslavia. The Communist party was, in fact, the only party which was not primarily a party either of Serbs, of Croats, or of Slovenes. A factor which has certainly won passive acceptance or better from large numbers of the people has been the conscious policy of the new régime in stressing equality of the three principal national components of the state. In addition, the Macedonians, to whom the Serbs denied all separate recognition between 1913 and 1941, even after the Serb-Croat Compromise of 1939 gave Croatia a position of equality, have received administrative recognition as one of the six constituent republics, and are now busy creating a separate written language, a university, and all the paraphernalia of cultural autonomy on the Soviet pattern.

In the stringent supervision of the lives and thoughts of its inhabitants the new régime goes much farther than the Polish régime, and is at opposite poles from that of Czechoslovakia. The press, as in Poland, is monotonously uniform and one-sided. Contacts with foreigners are closely supervised and dangerous. The ideal of the closed police state, in which each citizen, especially of the urban population, is directly dependent on the authorities for both physical and spiritual nourishment, is well on the way to achievement. The possible reactions of the inhabitants, large numbers of whom have a lively memory of much freer pre-war conditions of political and intellectual activity, are under the close watch of a numerous and all-powerful police, ready to act on the too-familiar assumption of "better a hundred innocents perish than one guilty person escape."

In Yugoslavia the process of material reconstruction has been strenuous and successful. The network of railroads and highways is being extended on an ambitious scale. The "Youth Railroad", built in Bosnia during the summers of 1946 and 1947, was but one of the projects designed to open up the resources of the neglected regions of the country. The extraction

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of important minerals, all of which bring a good price today in the world market, is substantially larger than before the war. Belgrade has been rebuilt to a large extent, with wider streets and new parks; the last of the Turkish-style one-story houses are gone. The reconstruction of industry has gone forward actively, and there are programs for the rapid development of electric power, of tractor-building, armaments factories and machine-tool industries. Figures regarding state investments in industry are vague, and data concerning imports and exports, cost of production, and profit or loss in nationalized enterprises are treated as state secrets.

Rationing was in process of winding-up in the summer of 1947, and came officially to a close in the autumn. The catastrophic weather of 1947, which hit Czech and Polish crops severely and Slovak crops worst, affected Yugoslavia but little. As government rationing ended, the main question was whether the peasant would part with his small surpluses without receiving adequate manufactured goods in return. How far the bread-basket of Yugoslavia—the regions north of the Sava and Danube rivers, from which the German inhabitants fled—has been restored to efficient production by its new settlers drawn from the unproductive uplands of Bosnia and Montenegro is uncertain. In this rich region the organization of machine-and-tractor stations was intended to overcome part of the technical deficiency. Whether this technical development, modeled on Soviet experience, was a prelude to the formation of Soviet-type collective farms was not entirely clear, despite the disavowals issued by the dominant party.

In Yugoslavia, as in Poland and Czechoslovakia, the Communist party has absorbed the most far-reaching nationalist aims of previous régimes, striving simultaneously for Trieste, Carinthia, and " Aegean Macedonia ". It has brought Albania completely into the Yugoslav orbit. That the achievement of these claims was fostered by strong but probably not unlimited Soviet support, and was resisted by the Western Powers, would probably have been sufficient to explain the anti-western outpourings of the press, radio and official speakers in Yugoslavia, even without the strong communist orientation of the régime. In addi-

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tion to striving for territorial gains, however, the new régime affects to see itself menaced at home by traditional " fawning on the West ", by remnants of " bourgeois liberal mentality " and of yearnings for "numerical democracy ", and thus could use the struggle for national aims abroad to discredit those who remember the long if not entirely successful struggle for civil, intellectual and political freedom at home. With one voice the official ideology denounces the Western democracies and their supporters in Europe as decadent and doomed; with the other they accuse the " imperialists " of refusing loans and gifts to this " new democracy ".

Yugoslavia was rapidly forging a new grouping of like-minded states under the Soviet aegis. Whether actual union with Bulgaria would be consummated was a question of expediency rather than principle. Certainly, formal union was not required for the coördinated drive to the Aegean Sea. Balkan Union, which had previously foundered on the obstacle of diverse political currents and aims, could be achieved from above since in each state, except Greece, all power was now concentrated in small groups of " fraternal " Communist parties. The process could be speeded by the enthusiasm generated among the youth who felt that all power and all future lay in Moscow. Formal establishment of a Yugoslav-Bulgarian union would mean one vote less for the Soviet bloc in international organizations. Whether it would strengthen a real sense of community among the two peoples, alike deprived of freedom of expression, was uncertain.

The formation of a bloc to include Hungary and Rumania, as well as the Yugoslav satellite of Albania, might be easier if Yugoslavia and Bulgaria entered it as separate units. The practical uniformity of the régimes and the identity of international aims and rôles might well be sufficient to secure the advantages of formal union. Hungary, which had traditionally oppressed Serbs and Slovaks, not least in the period of Hungary's membership in the Nazi coalition, was now enthusiastically welcomed into the fold of " new democracies ". Many Czechoslovaks, less enthusiastic about Hungary's new rôle, and still engaged in a dispute with Hungary over the future of the Magyar minority

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in Slovakia, commented wryly that the Hungarians had now been inscribed as " honorary Slavs ".

In its earlier form Pan-Slavism usually implied the free contribution of each Slav people to a common fund of literary, artistic and historic tradition. It now means rather an acceptance of day-to-day conformity with Soviet policy. Except in Czechoslovakia, where the idea of free Slav coöperation has always had its firmest ground, the Slav idea is decidedly less significant than the community of political régime and aims established by the Communist parties in Slav and non-Slav states alike. Among the Slav peoples the strongest force of Pan-Slavism lies in stressing the coöperation of the Slavs against the danger of a German resurgence. Here again, the Poles, who are most strongly anti-German, are least Pan-Slav, while the Serbs and Bulgars, who are farthest removed from the German threat, are most vehement in their professions of Pan-Slav solidarity.

Under the impact of the new orientation of eastern Europe, Poland, Czechoslovakia and Yugoslovia show many features of uniformity in their international position and in their domestic reconstruction. These uniformities make it easy to overlook the important divergences which appear in the management of their domestic affairs and in the ways in which they have adjusted their national lives to the greater forces which operate above and through them. These divergences, which are important in themselves, have a long record of national experience behind them. Whether these differences will persist or will be washed out gradually will be determined by the larger constellations of power which are striving for dominance in Europe and Asia.

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NATIONAL PLANNING OF INTERNAL IMPROVEMENTS*

ECONOMIC planning, it is now recognized, is by no means a new thing in American history. To be sure the term came into general currency only with the first Soviet five year plan and with the activities of the New Deal, and there is of course no American precedent for total planning of a national economy in the Russian sense. But, by the more inclusive definition under which the term has been used to refer to certain of the New Deal measures, the advocacy and practice of economic planning have long been significant parts of the American tradition. For the present purpose the term may be taken to mean the adoption by government or community of deliberate and concerted policies which are designed to promote economic expansion or prosperity and in which positive action to provide favorable conditions for economic activity is emphasized more strongly than negative regulation or the correction of abuses. In this broad sense our record shows many cases of economic planning.

From the time of the Puritans of Massachusetts Bay to that of the Mormans of Utah, the processes of colonization and settlement have often involved the concerted management of economic affairs for a common purpose by agencies wider than the individual household or the business enterprise. The early New England village divided its land resources according to an ordered plan and continued to make common decisions concerning their use. In the new nation, the famous reports of Alexander Hamilton, which should not be remembered merely for their advocacy of a protective tariff, have been described as constituting "a theoretical plan which is just now beginning

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to be appreciated." [1] In the disposition of the public lands, in the organization of the banking system, and on many other issues, the government of the United States has throughout its history dealt with questions calling for positive action which could not be taken without some degree of conscious attention to the most general economic considerations.

In spite of changed circumstances, the study of cases like these may throw light upon the problem of planning in its present-day setting. Some of the earliest, to be sure, represent practices standing over from pre-industrial days and ideas that were soon to be swept aside in the rise of the doctrines of economic individualism. Yet the spirit of business enterprise was strong even in the early days of American settlement, and throughout our history it is possible to trace the shifting lines between the spheres of public and private enterprise. Sometimes the relations between the two have been those of competition and sometimes of coöperation. Government has on occasion acted to restrain or to supplant private business; on occasion also it has acted to stimulate or to subsidize or even to rescue it. The examination of this record may therefore be of interest today in relation to the continuing problem of how best to use government action and how best to use private enterprise in the promotion of the general good.

Among cases of planning one of the most interesting is that of the movement for internal improvements in the first half of the nineteenth century. The proposals to construct canals and turnpikes and other improvements, and later the railroads, at the public expense, were among the most important policy questions of the time. In certain respects, to be sure, the planning involved was of limited scope even as compared with other American cases. It implied, for example, no such surveillance of the economic system as a whole as is now asked of the President's Council of Economic Advisers. The work of the Tennessee Valley Authority offers a closer comparison, but the nineteenth-century planners of canals and turnpikes made no attempt to go beyond their engineering projects to the explicit social planning that is a notable and controversial feature of the

[1] Joseph Dorfman, *The Economic Mind in American Civilization, 1606-1865* (New York, 1946), vol. I, p. 412.

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T.V.A. The closest modern analogy, indeed, is to be found in the current projects of so-called underdeveloped countries such as those that are discussed by the Subcommission on Economic Development of the United Nations. In any case the internal improvements movement represented planning on no mean scale. It demonstrated boldness in conception and produced at least one national plan of remarkable scope. So much, indeed, was done by public initiative that the distinguished economic historian, G. S. Callender, declared that this country was at the time an early and a leading example of " the modern tendency to extend the activity of the state into industry." [2]

Though internal improvements have been treated extensively by general and constitutional historians, and though the number of monographs devoted to particular undertakings continues to increase, there appears to be room for a review of the question in terms of the modern debate over the rôle of planning in the economy. The present article begins such a reëxamination. It will consider the movement for national rather than for state action from the administration of Jefferson to that of Jackson, and it will begin with the issues as they are raised in the document which was the movement's most comprehensive blueprint.

A National Plan

On April 4, 1808, Albert Gallatin, Secretary of the Treasury in the administration of Thomas Jefferson, sent to the Senate his report on roads and canals. [3] It begins with the assertion that " the general utility of artificial roads and canals . . . is universally admitted." The question is, who should build them. In some countries, "these improvements may often, in ordinary cases, be left to individual exertion, without any direct aid from Government." In the American case, two major circumstances, " whilst they render the facility of communications throughout the United States an object of primary

[2] G. S. Callender, " The Early Transportation and Banking Enterprises of the States in Relation to the Growth of Corporations ", *Quarterly Journal of Economics*, vol. XVII (November 1902), p. 111.

[3] *American State Papers, Class X, Miscellaneous*, vol. I, pp. 724-921. The report proper, from which the quotations in these paragraphs are taken, is on pp. 724-741. The rest is appendix. This work will be cited as Gallatin's *Report*.

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importance, naturally check the application of private capital and enterprise to improvements on a large scale." The first of these is the relative scarcity of capital. It is much more difficult than in Europe to attract investment by "prospects of remote and moderate profit." The second is "the extent of the territory compared to the population." With a sparse population, local traffic cannot be counted on to make profitable a local improvement. In general, a canal will be unproductive unless it opens "a communication with a natural extensive navigation which will flow through that new channel." For this reason, "some works already executed are unprofitable; many more remain unattempted, because their ultimate productiveness depends on other improvements, too extensive or too distant to be embraced by the same individuals."

"The General Government", declares the *Report*, "can alone remove these obstacles." Its resources are "amply sufficient for the completion of every practicable improvement." "With these resources, and embracing the whole Union, it will complete on any given line all the improvements, however distant, which may be necessary to render the whole productive, and eminently beneficial."

The argument continues:

> The early and efficient aid of the *Federal* Government is recommended by still more important considerations. The inconveniences, complaints, and perhaps dangers, which may result from a vast extent of territory, can no otherwise be radically removed or prevented than by opening speedy and easy communications through all its parts. Good roads and canals will shorten distances, facilitate commercial and personal intercourse, and unite, by a still more intimate community of interests, the most remote quarters of the United States. No other single operation, within the power of Government, can more effectually tend to strengthen and perpetuate that Union which secures external independence, domestic peace, and internal liberty.

What, then, are the specific objects that on this argument require and justify action by the national government? Gallatin derives his answers from a broad view of the geography of

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the country. The main problems are to improve communications between the northern and southern states and to bring the settlers beyond the mountains into easy communication with the East. With respect to the former, he points out that the United States possesses "a tide water inland navigation . . . which, from Massachusetts to the southern extremity of Georgia, is principally, if not solely, interrupted by four necks of land." The four are Cape Cod, New Jersey between the Raritan and the Delaware, the peninsula between the Delaware and the Chesapeake, and the "marshy tract which divides the Chesapeake from Albemarle Sound." These should be cut by canals, which would total less than one hundred miles and would be useful "in peace or war" as protection against "storms and enemies". To this should be added "a great turnpike extending from Maine to Georgia . . . passing through all the principal seaports."

The problem of communication with the West presents a greater difficulty. From New York to southern Georgia, the way is blocked by the two great ranges of the Appalachians. "In the present state of science," it is useless to think of crossing them by canals. There are, however, places at which the upper waters of the western and Atlantic rivers are near enough together to make communication practicable. For each of four pairs of rivers, therefore—the Allegheny and the Susquehanna or the Juniata, the Monongahela and the Potomac, the Kanawha and the James, and the Tennessee and the Santee or the Savannah—the *Report* recommends improvements in navigation of the eastern river and a road connecting it with the western stream.

To the North geography opens a different possibility. The Hudson is the only river which "breaks through or turns all the mountains." "The tide in no other . . . comes within thirty miles of the Blue Ridge, or Eastern chain of mountains. In the North river it breaks through the Blue Ridge at West Point, and ascends above the Eastern termination of the Catskill, or great Western chain." Advantage should be taken of this obvious gateway to open communication with the inland navigation of the Great Lakes.

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Gallatin summarizes his proposals as follows:

I. From north to south, in a direction parallel to the seacoast,		
1. Canals opening an inland navigation for sea vessels from Massachusetts to North Carolina, being more than two-thirds of the Atlantic seacoast of the United States, and across all the principal capes, cape Fear excepted,	$3,000,000	
2. A great turnpike road from Maine to Georgia along the whole extent of the Atlantic seacoast,	4,800,000	
		$7,800,000
II. From east to west, forming communications across the mountains between the Atlantic and western river,		
1. Improvement of the navigation of four great Atlantic rivers, including canals parallel to them,	1,500,000	
2. Four firstrate turnpike roads from those rivers across the mountains, to the four corresponding western rivers,	2,800,000	
3. Canal around the falls of the Ohio,	300,000	
4. Improvement of roads to Detroit, St. Louis and New Orleans,	200,000	
		4,800,000
III. In a northern and northwestwardly direction, forming inland navigations between the Atlantic seacoast, and the great lakes and the St. Lawrence,		
1. Inland navigation between the North river and Lake Champlain,	800,000	
2. Great inland navigation opened the whole way by canals from the North river to Lake Ontario,	2,200,000	
3. Canal around the falls and rapids of Niagara, opening a sloop navigation from Lake Ontario to the upper lakes as far as the extremities of Lake Michigan,	1,000,000	
		4,000,000
Making, together,		$16,600,000

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These proposals are based on the " great geographical features of the country." Their benefits should " diffuse and increase the national wealth in a very general way." Yet the states through which these routes pass will receive more direct benefit than the others. Therefore, says Gallatin, " justice, and, perhaps, policy no less than justice ", seem to require national aid to more local projects in other areas. For this purpose he adds $3,400,000 to bring his total to the round figure of $20,000,000.

How is this money to be raised and spent? " An annual appropriation of two millions of dollars would accomplish all these great objects in ten years." " In times of peace and under properous circumstances," this sum could be paid from the surplus revenues without new taxation. Indeed, an even larger total was being paid off on the national debt, now mainly discharged, from surplus revenue between 1801 and 1809. Or, as an alternative, the proceeds of the sale of public lands might be applied to this purpose. The improvements themselves would be of immediate and direct benefit to the purchasers of land, and " the United States, considered merely as owners of the soil . . . would be amply repaid " in the rise of value of the lands remaining unsold. If it were desired, also, the fund might be a revolving one. Projects once brought to profitable operation might be sold " to individuals or companies, and the proceeds applied to a new improvement."

Here then was a notable ten-year plan of national action. It was based on and buttressed by painstaking investigation. Its hundred and eighty folio pages of appendix, derived from answers to extensively circulated questionaires, would do credit to a modern planning board with many times Gallatin's staff. They contain information, often including maps, charts, financial statements, and charter provisions, on some twenty-five canal enterprises, undertaken or projected, and deal, though more briefly, with several hundred turnpike companies. One of the *Report's* recommendations, moreover, is the next essential step in planning. " As an important basis of the general system," it asks Congress to authorize taking " the surveys and levels " of the routes proposed.

Certain problems which were to trouble the movement for internal improvements, however, received relatively little at-

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tention in the *Report*. In it the constitutional issue appears not at all formidable. The federal government can now make improvements only with the consent of the states concerned. For this reason the President has recommended an amendment "to remove every impediment to a national plan of internal improvements." Yet in these cases, since the improvements are of such obvious advantage, the problem of state consent should not be a difficult one. Again, the question of method is presented, perhaps for strategic reasons, rather as one of detail. The United States may have the work done "at their sole expense," or may subsidize private companies, preferably by subscription to their stock. The former method, Gallatin ventures, might, "by effectually controlling local interests," have the advantage of the "most proper general direction." The latter method might be more "economical" in the execution of details. Perhaps the two might somehow be "blended" to obtain the advantages of each.

Finally, the great problem of local and sectional conflicts in the choice of projects, to which the Secretary had already paid tribute in the item of $3,400,000 for local undertakings, is referred to in the closing paragraph in a sentence notable for its choice of conjunction:

> The National Legislature alone, embracing every local interest, and superior to every local consideration, is competent to the selection of such national objects.

When this *Report* was presented, there was much in the national situation to suggest the probability of favorable action. Geography itself appeared to point the way. The English observer, Harriet Martineau, began her chapter on "Transport and Markets" by exclaiming how much Nature had done for the United States "in this article of their economy" and how clearly it had "indicated . . . what remained for human hands to do."[4] The economic need was manifest, particularly for the opening of trade connections for the western settlers. Out of a total population in 1810 of less than 7,250,000, more than a million were in the western states and territories, and many others living in western New York and Pennsylvania and

[4] Harriet Martineau, *Society in America* (New York, 1837), vol. II, p. 1.

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in what is now West Virginia were also beyond effective reach of the seaboard markets. In a speech supporting Gallatin's program, Congressman Peter B. Porter of western New York described the situation of these settlers in the following terms:

> The great evil, and it is a serious one indeed, under which the inhabitants of the western country labor, arises from the want of a market. There is no place where the great staple articles for the use of civilized life can be produced in greater abundance or with greater ease, and yet as repects most of the luxuries and many of the conveniences of life the people are poor. They have no vent for their produce at home, and, being all agriculturists, they produce alike the same article with the same facility; and such is the present difficulty and expense of transporting their produce to an Atlantic port that little benefit is realized from that quarter. . . . Such is the fertility of their land that one-half of their time spent in labor is sufficient to produce every article which their farms are capable of yielding, in sufficient quantities for their own consumption, and there is nothing to incite them to produce more. [5]

Callender's study cited the Congressman's speech and confirmed his economics. A small quantity of livestock that could be driven long distances to market and a few commodities like furs were the only western produce that could reach the eastern cities. The main route to market was by way of the Mississippi, but even the river shipments amounted in 1816 only to about $2.70 per head of the western population. [6] Here was a great untapped potential of trade. If it could be released by the provision of cheap transport, both East and West would profit.

The difficulty was to attract sufficient capital to get the work done. Of this contemporary accounts give abundant evidence. In Gallatin's summary of the experience of particular canal undertakings, the words, "suspended for want of funds", are a recurrent refrain. In the case of one project, his comment is: "The capital, which was inadequate, was not paid." Several small canals had been completed, one company had paid dividends, and two or three others were cited as having good

[5] *Annals of Congress*, Eleventh Congress, Second Session, p. 1388, March 2, 1810.

[6] Callender, *loc. cit.*, pp. 120-123.

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prospects. The company which had started work in the Mohawk Valley had made "considerable progress" with substantial state aid; but even on this route—which was to provide the greatest triumph of the movement for internal improvement—navigation would not be profitable until works were constructed "at the two extremities"; and these "the funds of the company did not enable them to undertake."[7] A number of observers described the difficulty at greater length and suggested explanations for it. The frontier regions, which would often benefit most directly, were particularly short of capital. The Dismal Swamp Canal Company had failed to receive "spirited patronage", partly because "the inhabitants of the circumjacent country" possessed "but little spare money" and were unwilling "to risk that little" in ventures of which the profits were doubtful or distant. Other accounts suggested the presence of more attractive alternatives. The Chesapeake and Delaware project began with "sanguine expectations", but "it soon became evident that a work of this kind, which required the toil and attention of several years to repay those who engaged in it, bore an unfavorable comparison with the banks, moneyed institutions, and private commerce of the United States, which gave immediate and large returns to the capital employed in them. Hence the ardor of the subscribers was soon perceived to cool."[8] In a memorial to Congress, dated November 19, 1811, the sponsors of the Union Canal Company of Pennsylvania named "the allurements of external commerce" as the reason for their inability to raise the necessary funds.[9]

More than thirty years before, Madison had written to Jefferson commenting on the "exuberant harvest" offered to investors in the prospectus of the James River Canal Company but adding that even these terms were judged "inadequate bait for subscription."[10] Though there had been considerable cap-

[7] Gallatin's *Report*, pp. 725-736.

[8] Gallatin's *Report*, Appendix, pp. 764-765 and 753.

[9] *Annals of Congress*, Twelfth Congress, First Session, p. 2160.

[10] Gaillard Hunt (ed.), *The Writings of James Madison* (New York, 1900), vol. II, pp. 102-119.

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ital accumulation in the intervening period, the prospect of "exuberant" profits was still required to draw out private funds or to lure them from the alternatives of commerce or land speculation. Except in a few fields, the American corporation, as Callender emphasizes, had not yet proved itself able to collect large sums of capital. There appeared, moreover, to be little prospect that canal and turnpike companies could raise the necessary funds from abroad. Up to this time there had been little foreign investment in American securities, and even on the domestic exchanges the only issues traded were those of federal and state governments and of banks and insurance companies.[11]

The United States was still a "capital-scarcity" country. Private means unsupported by government appeared unequal to the task of opening the great lines of transportation. A number of private companies had already asked for aid from the national and state governments. The alternatives to failure appeared to be either government assistance of this sort or direct construction by government.

For national action to accomplish these purposes there was precedent as well as considerable political preparation. George Washington was not only an advocate of internal improvements but also the active promoter and president of the company formed to improve the navigation of the Potomac as a route to the West. His Farewell Address contains an eloquent statement of the importance for national unity of "the progressive improvement of interior communication by land and water."[12] Though the internal improvements policy was to appear to some later observers more Federalist than Republican, it was under Jefferson that the first definite national step was taken. The act of 1802 providing for the admission of Ohio to statehood contained a clause setting apart a portion of the public lands for the construction of a road from the Atlantic waters "to the said state, and through the same." This was to be laid out "under the authority of Congress, with the con-

[11] Margaret Myers, *The New York Money Market* (New York, 1931), vol. I, pp. 17-19.

[12] James D. Richardson, *A Compilation of the Messages and Papers of the Presidents* (Washington, 1909), vol. I, pp. 215-216.

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sent of the several "states" through which it was to pass.[13] The first appropriation to carry out this policy was made in 1806, and by the end of that year the commissioners who were appointed to lay out the project had made their first report recommending a line from the Potomac, at Cumberland, to the Monongahela and the Ohio.

The immediate legislative background suggested strong support for the Gallatin plan. Jefferson's message to Congress in 1806 pointed out that, if peace continued, there would soon be surpluses in the Treasury. "Patriotism", he declared, recommended "their application to the great purposes of the public education, roads, rivers, canals, and such other objects of public improvement as it may be thought proper to add to the constitutional enumeration of Federal powers."[14] The issue aroused lively discussion, particularly in the Senate, and the proposals put forward included several of the specific projects that were to be included in Gallatin's plan. As in the preceding session, there was active support for a government subscription to the stock of the Chesapeake and Delaware Canal Company. Henry Clay and others attempted to secure funds for a canal around the Falls of the Ohio at Louisville. Another proposal was that of a turnpike to connect "the Northeastern and Southwestern extremities of the Union." Moreover, the idea of a general concerted plan was beginning to emerge. Both senators from Delaware argued for the proposed canal across their own state as a "link" in a great chain. The report of a Senate committee had carried the point even further. The importance of the proposed canal, it declared, "though great in itself, is not justly appreciated by considering it as a separate work; it must be viewed as the basis of a vast scheme of interior navigation connecting the waters of the lakes with those of the most southern States; and if beyond the present means, unquestionably within the growing resources of the country."[15]

[13] *United States Statutes at Large*, vol. II, p. 173, cited in Archer B. Hulbert, *The Cumberland Road* (Cleveland, 1904), p. 18. Appendix A to this book contains a complete list of congressional appropriations for the Road. The text of the commissioners' first report appears on pages 26-45.

[14] Richardson, *op. cit.*, vol. I, p. 409.

[15] *Annals of Congress*, Ninth Congress, Second Session, pp. 30, 31, 33-35, 55-59, 80-90.

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John Quincy Adams, then in the Senate, gave part of the impetus toward a general plan. He was an effective opponent of separate action on the Chesapeake and Delaware project, [16] and, on February 23, 1807, asked attention for the following resolution:

> That the Secretary of the Treasury be directed to prepare and report to the Senate, at their next session, a plan for the application of such means as are constitutionally within the power of Congress, to the purpose of making roads, for removing obstructions in rivers, and making canals; together with a statement of the undertakings of that nature now existing within the United States which, as objects of public improvement, may require and deserve the aid of government.

For the moment the proposal was unsuccessful. A few days later, however, Senator Thomas Worthington introduced a resolution similar to that of Adams, and on March 2, the Senate adopted by a vote of 22 to 3 the motion to which the Gallatin *Report* was the direct response. [17]

Gallatin's plan, therefore, was by no means an isolated or merely quixotic effort. Its innovation lay not in the basic direction but in orderliness of thought and comprehensiveness of view. What it did was to give coherence and intellectual organization to the proposals of a movement that was already vigorous. For these proposals there was a strong economic argument, and for the movement there was apparently widespread political and popular support. Yet the great unified plan was never adopted, much less carried out, and only isolated fragments of an internal improvements program were undertaken by the federal government.

The Defeat of National Planning

Thirty years later, John Quincy Adams, who described himself on the strength of the resolution quoted as "the first

[16] Charles Francis Adams (ed.), *Memoirs of John Quincy Adams* (Philadelphia, 1874), vol. I, p. 460. *Annals of Congress*, Ninth Congress, Second Session, pp. 80-86. On February 28, Adams was in the minority that voted against the appointment of commissioners to examine the Falls of the Ohio project. *Ibid.*, pp. 95-96.

[17] *Annals of Congress*, Ninth Congress, Second Session, pp. 77-78, 95, 97.

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mover" of internal improvement "as a system"[18]—that is as national planning—wrote bitterly of the defeat of the system:

> The great effort of my administration was to mature into a permanent and regular system the application of all the superfluous revenues of the Union to internal improvement. . . . I fell and with me fell, I fear never to rise again, certainly never to rise again in my day, the system of internal improvement by means of national energies.[19]

Why, then, had this type of national planning been defeated? Adams' own answer was clear and simple. It was the work of "the Maysville road veto policy" and what seemed to him the related abominations of the administration of Andrew Jackson.[20] Jackson was equally convinced of the decisiveness of his action. His Farewell Address expressed confidence that he had "finally overthrown . . . this plan of unconstitutional expenditure for the purpose of corrupt influence."[21] The contrast between the policies of the two administrations was real and significant. In his first annual message, Adams expressed the hope that "the swelling tide of wealth" from the sale of public lands would be "made to reflow in unfailing streams of improvement from the Atlantic to the Pacific Ocean." Adams' first annual message asked the Congress to consider "the general principle" of internal improvement "in a more enlarged extent." This document may indeed be taken as the most "enlarged" expression of the philosophy of the movement.[22] Substantial appropriations for internal improvements were made

[18] Brooks Adams, Introduction in Henry Adams, *The Degradation of the Democratic Dogma* (New York, 1920), p. 21. Henry Adams, the grandson, chose rather to point out that Senator Worthington, whose resolution was the one that carried, was "one of Mr. Gallatin's closest friends." *Life of Albert Gallatin* (New York, 1879, reprinted 1943), p. 350.

[19] Letter to the Rev. Charles W. Upham, February 2, 1837, quoted in Brooks Adams, *loc. cit.*, pp. 24-25.

[20] *Address of John Quincy Adams to His Constituents* (Boston, 1842), p. 52.

[21] *Farewell Address of Andrew Jackson to the People of the United States . . .* (Washington, 1837), quoted in Joseph L. Blau (ed.), *Social Theories of Jacksonian Democracy* (New York, 1947), p. 10.

[22] Richardson, *op. cit.*, vol. II, p. 305.

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during Adams' administration. When, on the Fourth of July 1828, he turned the first earth for the Chesapeake and Ohio Canal, he declared that he considered this "the most fortunate incident" of his life.

Under Jackson, on the other hand, this "Great National Project" was, as one author puts it, "deserted by the Federal Government" and "left stranded on the southern shore of Maryland."[23] Moreover, the Maysville Road veto and Jackson's second annual message stand as the historic replies to the Adams program. They denounced the mingling of government funds with those of private corporations and argued forcefully that the state rather than the federal government was the appropriate agency for internal improvement. Though they did not wholly rule out every possibility of national action, their practical effect was to administer the decisive check to the existing program of internal improvement "by means of national energies."

Yet an interpretation of the defeat of national planning must account for much more than the famous Jackson veto. What, after all, was the Maysville Road? It was a projected turnpike of some sixty miles, initiated by a private company. Though it was to continue the line of Zane's Trace, a pioneer route across Ohio, the road itself lay wholly within the state of Kentucky. It was therefore easy for the President to describe it as "a measure of purely local character . . . conferring partial instead of general advantages" and bearing "no relation to any general system of improvement." The organization of the project, moreover, made it vulnerable to Jackson's suggestion that it represented an artful expedient for saddling upon the government "the losses of unsuccessful private speculation."[24] In these passages, it may be said that Jackson was in effect condemning the Maysville project precisely on the

[23] George Washington Ward, *The Early Development of the Chesapeake and Ohio Canal Project* (Baltimore, 1899), pp. 89, 8. *Cf.* Walter S. Sanderlin, *The Great National Project: A History of the Chesapeake and Ohio Canal* (Baltimore, 1946).

[24] Richardson, *op. cit.*, vol. II, pp. 483-493, esp. pp. 487, 490 (May 27, 1830) and pp. 508-517 (December 6, 1930). Note also the veto of the Washington Turnpike bill, pp. 493-494, and the pocket veto of the Louisville and Portland Canal bill, p. 494.

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ground that it did not meet the specifications laid down by Gallatin. Certainly the Road made no part of the great geographic routes so carefully and so boldly outlined.

The same point does not apply to the four canal companies to which Congress had authorized stock subscriptions. The Louisville and Portland Canal around the Falls of the Ohio, the Chesapeake and Delaware and the Dismal Swamp canals in the proposed coastal navigation, and the Chesapeake and Ohio attempting one of the great connections between eastern and western rivers were all part of the Gallatin blueprints. But all of these, even the last, represented small beginnings. If over two decades the Gallatin plan had in practice come down to these and the Maysville Road, the defeat of the system cannot be laid entirely to the hands of Andrew Jackson. Why had not the proposals already resulted in the construction of a set of related major projects? Why, indeed, was the plan not adopted as a whole when it was first laid before Congress in 1808?

To this last question, the answer appears obvious. The great immediate obstacle was the danger of war The Embargo Act was passed while Gallatin was at work on the *Report*. The document itself, as already noted, predicated its argument on the maintenance of peace. It added the further warning that if the nation should decide to maintain a large military establishment, even without war, "the objects of the report must probably be abandoned." [25] When Porter rose early in 1810 to make his principal speech in favor of internal improvements, he felt it necessary to begin by pleading that important domestic questions should not be entirely crowded out of consideration by foreign affairs. Together with Senator John Pope of Kentucky, he introduced in the same session a measure including substantially the Gallatin list of projects. Their choice of method—in part no doubt influenced by the threat of war—was for subscription to the stock of state-chartered corporations rather than construction by the government, and for government borrowing on the security of the public lands as against direct appropriations. Gallatin himself was forced to modify

[25] Gallatin's *Report*, p. 740.

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his position and finally to lay aside the advocacy of internal improvement in order to protect the strength of the Treasury.[26] In January 1812, he told a House committee that his opinion still remained the same "with respect to the general principles of the plan" and to the importance of the "system of improvement". The circumstances required only a change in the "manner" of proceeding. But Gallatin answered with an emphatic negative the committee's first question as to whether the present "state of the finances" allowed direct appropriation. The committee itself, to which had been referred memorials on behalf of the Chesapeake and Delaware and Union canals and the state of New York's proposed canal to the Great Lakes, came to the conclusion that "the inauspicious state of the United States, in regard to our foreign relations, renders it . . . improper, at the present time, to grant that effectual aid to the undertakings to which they are so well entitled."[27] The committee's policy prevailed, and its conclusions were reinforced by the outbreak of actual war.

The return of peace removed these obstacles and revived the agitation for internal improvement. The war experience itself furnished a cogent argument. "How much did we suffer", exclaimed Calhoun, for lack of roads and canals. What the navy lost "for want of inland navigation along the seacoast," and the army by lack of proper transport to the Great Lakes, were points made again and again in the debates. The chartering of the Second Bank of the United States seemed to provide a special opportunity for action. During the session of 1816-17, Calhoun proposed a measure to set aside the government's bonus from the charter and its future income from the Bank for improvements. As the *Annals of Congress* reported, "Let us then, said Mr. C., bind the Republic together with a perfect system of roads and canals." The state of the nation was most favorable—"at peace with all the world,

[26] Gallatin's famous biographer describes him as throwing behind him "all his old hopes and ambitions, all schemes for discharging debt and creating canals, roads, and universities" and turning "his energies to the single point of defending the Treasury and resisting follies." Henry Adams, *Life of Albert Gallatin*, p. 399.

[27] *Annals of Congress*, Twelfth Congress, First Session, pp. 1078-1080, February 20, 1812.

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abounding in pecuniary means." To these two circumstances, Calhoun added a third which he described as of the most importance—" party and sectional feelings immerged in a liberal and enlightened regard to the general concerns of the nation." [28]

The third point proved to be the crucial one. The conflict of state versus more general interests appeared at once in the Bonus Bill discussions. As introduced, the measure provided for a permanent national fund to be spent under the direction of Congress for improvements of national importance. As passed, it represented hardly more than a distribution of gifts to the states in proportion to their population. The fund was first to be carved into portions for the several states and then within each state applied to improvements under the concurrent direction of Congress and the state legislature. Clay and Calhoun and a number of others pointed out that this would make it very difficult to secure the construction of projects of national importance, citing as a favorite example the canal around the Falls of the Ohio which would be of more benefit to states up and down the river than to Kentucky. Yet they could secure only the proviso that a state might, if it wished, ask Congress to spend its portion of the fund within the borders of another state. [29] Thus the bill which Madison vetoed as going beyond the powers of the federal government would, in any case, have given too little authority for the type of national planning called for by the Gallatin *Report*. [30]

By this time most of the lines of the subsequent debate were well defined. President Monroe in his first annual message recommended a constitutional amendment to give the federal government specific authority to construct internal improvements. [31] The suggestion was not welcomed by the strongest advocates of improvements, and most of the attempts to follow it were made by men willing to keep federal authority within the limits of the Bonus Bill provisions for the distribution of

[28] *Annals of Congress*, Fourteenth Congress, Second Session, pp. 109, 851-854.

[29] *Ibid.*, pp. 296, 851-870, 874-914, 916-923, 166-180, 185-188, 190-191, 1051-1052.

[30] For Madison's veto message, see Richardson, *op. cit.*, vol. I, pp. 584-585.

[31] Richardson, *op. cit.*, vol. II, p. 18.

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expenditures in proportion to population.[32] In 1822 Monroe vetoed a bill providing for the collection of tolls on the Cumberland Road.[33] If Congress did not possess the power to control and operate the Road effectively, there seemed no point in retaining responsibility. Title therefore was ultimately transferred to the several states within which it lay. The federal government's contribution had been to build "a highway seven hundred miles in length, at a cost of seven millions of treasure."[34]

Agitation for other improvements continued, and some progress was made in the development of orderly methods for their consideration. Individual projects, and sometimes plans for more comprehensive action, were typically referred to the Senate and House Committees on Roads and Canals. An act of 1824 directed the government to institute a series of surveys of proposed routes, and reports by the United States Corps of Engineers and its Board of Internal Improvement began to play an important part in the discussions. A set of resolutions put forward in 1826 by Chairman Mercer of the House Committee, but not adopted, proposed a systematic plan, not unlike Gallatin's, which would make still further use of the Engineers and which would call on the Census to record the progress of internal improvements.[35] Yet aside from appropriations for surveys, for improvements to the navigation of rivers and harbors, and for military and territorial roads, further actual appropriations for the construction of internal improvements were not made until after the election of 1824. Of the projects on the Gallatin list, the first to receive an appropriation was the Chesapeake and

[32] This was true of the proposals of Senator James Barbour of Virginia in 1817, of Congressman Bailey of Massachusetts in 1825, and of Martin Van Buren of New York in 1824. The proposal put forward in 1823 by Senator Samuel Smith of Maryland was free of this limitation. *Annals of Congress*, Fifteenth Congress, First Session, pp. 21-24; *Register of Debates in Congress*, Nineteenth Congress, First Session, p. 802; *Annals of Congress*, Eighteenth Congress, First Session, pp. 134-136; *ibid.*, Seventeenth Congress, Second Session, p. 200.

[33] Richardson, *op. cit.*, vol. II, p. 142.

[34] Hulbert, *op. cit.*, p. 16.

[35] *Register of Debates in Congress*, Nineteenth Congress, First Session, pp. 2251-2252.

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Delaware Canal. On his last day of office in 1825, Monroe approved a stock subscription for $150,000. Similar appropriations for the Falls of the Ohio and the Dismal Swamp projects followed the next year. In addition a new form of national encouragement for state undertakings had been worked out, and in 1827 and 1828 substantial grants of land were made to Illinois for the canal from Lake Michigan to the Illinois River, and to Indiana and Ohio for both roads and canals.[36] Finally, in May 1828, the Congress authorized an appropriation of $1,000,000 for the greatest of the proposed projects, the Chesapeake and Ohio Canal which was the heir of Washington's Potomac Company. As with the other three monetary appropriations, the method chosen was that of subscription to the stock of a company; but in this case, the position of the federal government was to be the dominant one, and state and municipal contributions were to outweigh those of private subscribers.[37] On the eve of Andrew Jackson's inauguration the record of appropriations for the four companies whose undertakings fell directly within the original Gallatin plan stood as follows:[38]

Company	Appropriation	Date of approval
Chesapeake and Delaware Canal Company	$300,000 150,000	March 3, 1825 March 2, 1829
Louisville and Portland Canal Company	100,000 up to 135,000	May 13, 1826 March 2, 1829
Dismal Swamp Canal Company	150,000 50,000	May 18, 1826 March 2, 1829
Chesapeake and Ohio Canal Company	$1,000,000	May 24, 1828

[36] *Register of Debates in Congress*, Nineteenth Congress, Second Session, Appendix; *ibid.*, Twentieth Congress, First Session, Appendix.

[37] The Maryland subscription was $500,000 and those of the three District of Columbia cities totaled $1,500,000. Private subscriptions were $607,400. Sanderlin, *op. cit.*, p. 37. The District cities could, of course, act only with congressional authorization. Ward makes the point that the "financial help . . . received from the Federal Government must, therefore, be reckoned not at one million dollars but at two and a half millions." *Op. cit.*, pp. 85-87.

[38] Appendices in *Register of Debates in Congress*, Eighteenth Congress, Second Session; Nineteenth Congress, First Session; Nineteenth Congress, Second Session; Twentieth Congress, First Session; Twentieth Congress, Second Session.

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Twenty years after Gallatin's *Report* and more than a decade after the close of the War of 1812, this was the point to which the movement for national internal improvements had come. One great segment of Gallatin's plan, the joining of the Hudson with the Lakes, had been carried through by a state instead of by the nation. For the rest, aside from the Cumberland Road, there were only beginnings. Yet the appropriations within four years of nearly two million dollars for the projects listed represented a substantial commitment, and it is clear that during Adams' administration the movement that was to be checked by Jackson's veto had begun to develop a mounting force.

The Alternatives to National Planning

Adams spoke of the program of national improvements as giving way to the alternatives of state action and private enterprise. Since both of these methods seemed to him feebler than national action, he was not greatly concerned to distinguish between them. To the modern student, however, it is of particular interest to inquire which of these alternatives played the greater part in the opposition to national planning.

The constitutional obstacles clearly belong on the state side of the question. It is unnecessary to review the constitutional arguments so often repeated in these debates and so thoroughly discussed by later writers, or to attempt to reinterpret the relationship between the conflicting philosophies of government and the positions of groups or sections whose interests would be furthered by a maximum or a minimum of federal action. For the purpose of the present discussion the essential point is a simple one. The constitutional issue turned solely on the respective rights of federal and state governments and not at all on the rights of private individuals or corporations.

Whatever the rôle of states' rights in the abstract, it is abundantly clear that conflicts of state and sectional interests were of major importance. Adams himself had no doubt as to the source of the defeat of national planning. It came from " the Sable Genius of the South " that had seen " the signs of his own inevitable downfall in the unparalleled progress " of the North

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and had therefore fallen "to cursing the tariff and internal improvements." [39] Sable or not, the opposition was understandable. The protective tariff was clearly inimical to the interests of the South, and it was linked with internal improvements both in the politics of Clay's American System and as a principal source of the funds with which improvements might be constructed. [40] But the North-South cleavage, however important, was not maintained consistently throughout the discussions nor was it by any means the only line of division. When Miss Martineau singled out South Carolina for the fierceness of its opposition in the later stages of the internal improvements debate and for the unbounded character of its "sectional jealousy", she remarked that it had at one time been on the opposite side of the question. Its leaders, however, had found "how much larger a share of the benefit would be appropriated by the active and prosperous northern states." [41] This was partly because the greatest of the specific improvements would serve to strengthen trade connections between the East and West, while without such intervention rivers carried western produce to the South and southern cotton to the sea.

In the earlier days of the controversy, the conflict appeared more often to be that of West against East. The advocates of improvements urged them as due recognition to the interests of western farmers, either as a just counterbalance to the favors being shown to manufacturers [42] or as a partial offset to measures for the protection of the commercial interests of the sea-

[39] Brooks Adams, *loc. cit.*, pp. 24-25.

[40] John Randolph of Virginia and Thomas W. Cobb of Georgia employed another argument: if Congress has the power to construct improvements, has it not also the power to emancipate every slave? *Annals of Congress*, Eighteenth Congress, First Session, p. 1308; Second Session, pp. 657-658.

[41] *Op. cit.*, vol. II, p. 34, footnote. She attributed the differences in benefit to slavery rather than to geography.

[42] As in *Memorial of the Central Committee of the Chesapeake and Ohio Canal Convention*, Nineteenth Congress, First Session, House Document No. 151, p. 6. "As the equal guardian of the rights of all classes of society, may your memorialists not ask you to restore to agriculture, by cheapening the carriage of its heavy products, that surplus revenue, which had been avowedly created for the benefit of manufacturers."

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board.[43] Congressman Porter even warned of the danger of revolt if the people of the West should come to believe that Congress "can constitutionally create banks for the accommodation of the merchant but cannot construct canals for the benefit of the farmer."[44] Still another alignment divided states which had already spent substantial funds on improvements from those which had not done so. It was observed, for example, that representatives from New York, who had favored improvement legislation while they hoped for federal funds for the Erie Canal, discovered objections to national action after their state had completed the project by its own resources.[45] A final comment on sectional jealousy relates to still another line of division. Robert Wright of Maryland complained that among the representatives "to the southward and westward of the Potomac" there had been scarcely a vote cast in favor of the Chesapeake and Delaware Canal. "And, sir," he exclaimed, "I regret that our legislative and proceedings do not wear a better aspect, but rather a more Southern and Western ascension, and a more Northern and Eastern decension."[46] If such conflicts could not be resolved, the obvious recourse was to leave the matter to the several states.

The case for state action, moreover, rested on positive as well as negative grounds. Congressional orators frequently declared that the states were better equipped than the federal government to select projects wisely and to manage them efficiently.[47]

[43] As in the speeches of Henry Clay of Kentucky, Andrew Stewart of Pennsylvania and James D. Breckenridge of Kentucky. *Annals of Congress*, Fifteenth Congress, First Session, p. 1177; Seventeenth Congress, First Session, pp. 1485, 1479. Opponents of internal improvements found it necessary to deny that the farmers' interests had been neglected. E. g., *ibid.*, Fifteenth Congress, First Session, pp. 1233-1234, 1272-1273; Eighteenth Congress, First Session, pp. 1410-1411.

[44] *Ibid.*, Eleventh Congress, Second Session, p. 1400.

[45] Charles L. Dearing cites the New England states, New York and Pennsylvania as in the former group. *American Highway Policy* (Washington, 1941), p. 35. *Cf. Annals of Congress*, Seventeenth Congress, Second Session, p. 616.

[46] *Annals of Congress*, Fourteenth Congress, Second Session, p. 921.

[47] For example Austin of Virginia, *Annals of Congress*, Fifteenth Congress, First Session, p. 1210, and Robertson of Louisiana, *ibid.*, Fourteenth Congress, Second Session, p. 866.

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The same points were made by the enthusiasts for internal improvements who contributed to the influential *North American Review*. Jared Sparks declared that "the most direct and powerful means of improvement rest in the states individually." In supporting the statement he put first the argument that "The compass of each state is sufficiently narrow, and its legislative power sufficiently diffused, to render knowledge of its internal condition, wants, and resources easily attained," and only second the fact that each state "enjoys full authority, under the constitutional compact." The great example was New York State with its Erie Canal, "an undertaking of which the most powerful governments on earth might be proud." Similarly John L. Sullivan, though against parsimony on the part of the federal government, nevertheless found great satisfaction, "in a country as prodigious as ours," in the fact that the state could serve as the principal agency:

> . . . we are divided into independent communities so rich and powerful, that scarce any object of public utility is beyond the grasp of the resources of the single states; so that, after all, the care of individual objects of public improvement is put into the hands of those most sure to be benefited by them, and most concerned by interest and most enabled by local situation to accomplish them with zeal and economy. [48]

States' rights, state and sectional interests, and a belief in the capacities of the several states seem to have played the decisive rôle in the downfall of national planning. By contrast business enterprise offered less formidable competition. The possibility of conflict, to be sure, was lessened by the fact that proposals for federal action so often took the form of partnership with private enterprise. Of the alternative methods which Gallatin had set forth, direct government construction or subscription to the stock of private companies, the second was more often favored. For this there were at least two reasons. In the first place, this method appeared to offer a way

[48] [Jared Sparks], "Internal Improvements of North Carolina", *North American Review*, vol. XII (January 1821), pp. 17, 20. [John L. Sullivan], "Internal Improvements in South Carolina", *ibid.*, vol. XIII (July 1821), p. 144.

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around the constitutional difficulty. If the company's authority to construct the improvement and to exercise the right of eminent domain derived from the charter issued by a state, awkward questions of the state's assent to federal action need not arise, and the national government could base its action on the appropriation power alone. This interpretation was suggested by Clay during the Bonus Bill debates, was accepted by the House after long discussion, and was used again and again by both supporters and opponents of internal improvements. [49]

In addition, the opinion was widely held that stock subscription was in any case the wisest method of government action. Sometimes the argument was simply that the addition of private money would make that of the government go farther. In 1817, a House committee argued that individual and local enterprise should bear half the cost and that Gallatin's twenty million dollar program could therefore be accomplished with a government outlay of only ten millions. More often the argument ran that the work would be done more economically if the zeal of the private enterpriser was also involved. James Buchanan of Pennsylvania declared that the money of the government would be safest when invested jointly with private capital. Though there seems never to have been a full-dress debate on the practical merits of the two methods, the prevailing view was well summed up by a Senate committee in 1817:

> Of the different modes which might be devised of applying public moneys to objects of internal improvements, that of authorizing subscriptions for a limited number of shares of the stock of companies incorporated for the purpose, appears, on every

[49] *Annals of Congress*, Fourteenth Congress, Second Session, p. 867; Fifteenth Congress, First Session, pp. 1114-1138, 1138-1180, 1185-1222, 1224-1250, 1268-1282, 1284-1339, 1340-1380, 1381-1389; *Register of Debates in Congress*, Eighteenth Congress, Second Session, Appendix, pp. 75-81. See also *Annals of Congress*, Sixteenth Congress, First Session, p. 681; Seventeenth Congress, First Session, p. 1512; Eighteenth Congress, Second Session, pp. 571-572, 1231; *Register of Debates in Congress*, Eighteenth Congress, Second Session, pp. 221, 681. This interpretation satisfied the constitutional scruples of President Monroe. Richardson, *op. cit.*, vol. II, pp. 733-741, 785.

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> consideration, to be the most eligible. By limiting the number of shares to be subscribed to a third, or less than one-half, of the whole stock, there is more security that the Government shall not become engaged in impracticable projects for improvements, and also for the economical expenditure of the funds, than would be, on the plan of a direct application, by Government, of the public moneys. [50]

In the closing years of the debate, objections to the practice began to develop. Senator Thomas Benton of Missouri questioned the propriety of such "associations between this Government and the people of the United States." A number of similar references to "stockjobbing" and "executive patronage" and "pernicious copartnerships" illustrated the tendency that was to lead to Jackson's biting denunciation of the mingling of private and public money and to the conviction of the Jacksonians that the democratic solution of the improvements problem was to remove it from the field of federal action. [51] The great majority of the advocates of improvement, however, remained convinced that the public interest would be furthered by the partnership with the "vigilance" and "sagacity" of private enterprise. [52]

In his penetrating article, published in 1902, Callender remarked that the movement for public improvements in this period was not "due to any modern socialistic or populistic idea that the business of supplying transportation . . . to the community was not a safe and legitimate one, to be left to the management of private enterprise." It was almost universally

[50] *Annals of Congress*, Fourteenth Congress, Second Session, pp. 927-928. *Register of Debates in Congress*, Eighteenth Congress, Second Session, p. 332. *Annals of Congress*, Fourteenth Congress, First Session, p. 110. Calhoun's Report as Secretary of War stood almost alone in its claim that the government could construct as cheaply as private companies. *Ibid.*, Fifteenth Congress, First Session, p. 2452.

[51] *Register of Debates in Congress*, Eighteenth Congress, Second Session, pp. 676, 301, 1613-1616; Nineteenth Congress, Second Session, p. 1397; Twentieth Congress, First Session, p. 2616. One of these comments points out that a company might defraud the government by paying large salaries and low dividends.

[52] *Register of Debates in Congress*, Eighteenth Congress, Second Session, pp. 676, 301. *Annals of Congress*, Fifteenth Congress, First Session, pp. 1315-1316; Seventeenth Congress, First Session, p. 1885.

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assumed in the congressional debates that it was desirable to leave to individual business as much of the job as it could perform, and the view was rarely challenged outside.[53] To a generation familiar with the controversies over public power and the Tennessee Valley Authority, it is equally interesting and perhaps more surprising to note how little of the *opposition* to national internal improvements seems to have been based on an *anti*-socialist philosophy, or on the desire of private business to take over the job for itself. Opponents occasionally included in their battery of arguments the proposition that the country was not ripe for improvements until they would yield a profit to those who undertook them. "The proper time is known", said Senator Nathaniel Macon of North Carolina, "by the industrious and careful people being ready to vest their money in them, for a reasonable profit."[54] Striking by its isolation is a single case in which a congressman argued that the vested rights of existing corporations would be impaired by such powerful competition as that of the United States Congress.[55] The conventional plea for internal improvements, as for example in Clay's much-quoted speeches, began with a recognition of the validity of laissez faire as a fundamental principle, but found no difficulty in establishing grounds for favoring public works. That stalwart defender of economic orthodoxy, Harriet Martineau, saw in this no inconsistency and had no doubts of the economic expediency of the improvements.[56] Report-

[53] Callender, *loc. cit.*, p. 159. To the few exceptions which he notes may be added that of John W. Vethake, an antimonopolist Jacksonian who wrote in the New York *Evening Post* on October 21, 1835: "With regard to the subject of internal improvements ... we hold that like the Great Erie and Champlain Canals, they should be paid for out of the common purse for the common benefit of all." It was, he declared, "palpably wrong that any partial association of individuals should possess the privilege of levying and collecting taxes for their own benefit under the specious appellation of tolls." Quoted in Blau, *op. cit.*, pp. 217-218. Dorfman points out that this was "heresy" to the Jacksonians and promptly rebuked. *Op. cit.*, vol. II, p. 655.

[54] *Annals of Congress*, Fifteenth Congress, First Session, p. 179; Eighteenth Congress First Session, p. 1341.

[55] *Ibid.*, Fifteenth Congress, First Session, p. 1358.

[56] *Op. cit.*, vol. II, chs. i and ii. By contrast she denounced the tariff with every orthodox argument.

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ing to the Senate in 1817, Jeremiah Morrow of Ohio incorporated the policy in what was surely intended as a definition of laissez faire:

> To insure to the pursuits of useful industry in a nation, a state of the greatest prosperity, it is only necessary to protect their interests from foreign aggression, to leave them unrestrained by artificial provisions, and to remove, or ameliorate, the natural obstacles to their erection, by public works, rendering conveyance practicable and cheap. [57]

In these discussions the lines between public spirit and private interest were often indistinct. Specific projects for improvement were typically initiated by groups of leading citizens in local communities. In them a lively expectation of profit was combined with the desire to promote the progress of the area and the nation. When the project ran short of funds and its promoters "claimed the public patronage", their memorials to Congress or to the state legislature emphasized their civic purposes. Supporters of the Chesapeake and Delaware Canal were proud to point out that their project stemmed from a study made in 1769 by a committee of the American Philosophical Society composed of "Dr. Franklin" and other men "whose views, extending beyond themselves, [were] employed upon objects of general benefit and utility.[58] Enthusiastic advocates of improvements addressed their exhortations impartially to the leaders of private and public undertakings. "Where there are public spirit, enlightened zeal, and honourable ambition," said Jared Sparks, "it is idle to talk about obstacles. . . .This remark will apply equally to individuals, corporate bodies, and state legislatures." [59] A successful improvement would bring gains to those who owned land along the route and to those who would use it in their trade. In terms of their interests, as distinct from those of stockholders in the companies, the important thing was to get the improve-

[57] *Annals of Congress*, Fourteenth Congress, First Session, p. 108.

[58] *Annals of Congress*, Ninth Congress, Second Session, pp. 55-56.

[59] Sparks, *loc. cit.*, pp. 16-17.

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ment constructed. Whether it should be done by business or by government or by partnership between the two was a secondary consideration. Since various private interests were thus often on the side of public expenditure, and since corporations had not yet developed the financial strength to accomplish the major projects unaided, the issue of business versus government enterprise was posed much less sharply than in many modern controversies.

In his lament over the defeat of the national program of improvements, Adams discussed the prospects of the two alternative methods:

> With this system in ten years from this day the surface of the whole Union would have been checkered over with railroads and canals. It may still be done half a century later and with the limping gate of State legislature and private adventure.[60]

This was better polemics than prophecy. Within the year in which he was writing, the outbreak of the panic of 1837 suggested that a number of the states had been too exuberant rather than too modest in their programs of improvement, and many of the canals constructed failed to survive the competition of the new means of transportation. The expansion of the railroads, after somewhat hesitant beginnings, was soon to proceed at much more than a "limping gate" under the control of great business corporations, some of which received extensive government aid. Yet in the period covered by the present articles these were not the agencies on which opponents of the national planning of internal improvements placed their chief reliance. For major undertakings such as those called for by the Gallatin plan, "private adventure" had not yet attained the stature of the principal alternative to national action.

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[60] Brooks Adams, *loc. cit.*, pp. 24-25.

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THE POSITION AND PROSPECTS OF THE COMMUNISTS IN FRANCE

IN the cold war now in progress between the United States and Soviet Russia, each side is seeking to win friends and potential allies, and to frustrate the efforts of the other to do the same. The tension is most acute in central and eastern Europe, but developments in western Europe are probably of more vital significance to American security. France occupies a key position in the struggle. If she should side in decisively with Russia, little more than the scant American and British forces scattered through Germany, Austria, Trieste and Greece would stand in the way of Soviet domination of the continent, and it is only too probable that before long the United States would be without a friendly government or a foothold there. War might break out in the process; but, if it did not, the human and material resources of the continent would presumably be exploited to build up power which in the end could be overwhelming if used against us.

The possibility of a French alignment with Soviet Russia can be analyzed almost exclusively in terms of the position and prospects of the French Communists. Despite the efforts of Russia and of the Communists to provoke a nationalist reaction against alleged American imperialist encroachment, the parties of the Center and the Right are clearly hostile to Moscow, though in varying degrees, and so is a large proportion of the Socialist party (the SFIO). The extreme Left wing of the SFIO might follow the Communist lead into the Russian sphere, but would certainly play a subordinate rôle.

In light of these considerations it is important that the American people and government know, as far as possible, how closely the French Communists are attached to Moscow, how much power they have or may gain, what their intentions are, and whether the United States is in a position to frustrate any dangerous designs which they may have.

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Communist Ties to Moscow

In September 1947, Jacques Duclos and Etienne Fajon represented the French Communists at a conference in Poland of delegates from the parties of nine European countries, including Russia. The conference first heard a report on the international situation by one of the Russian representatives, Zhdanov, and then unanimously adopted a manifesto denouncing the United States for alleged "imperialist plans aiming at world domination." It also heard a report by the Polish leader, Gomulka, after which it adopted a resolution referring to "serious shortcomings" due to the "absence of connections" between the parties participating; the resolution declared that "division between Communist parties is incorrect and harmful" and asserted that "the disunity of Communist parties may lead to damage to the working class." On the basis of these considerations the conference provided for the establishment in Belgrade of an "Information Bureau" (unofficially dubbed the "Cominform") whose task would be to "organize and exchange experience and, in case of necessity, coordinate the activity of Communist parties on foundations of mutual agreement." The Information Bureau consists of two representatives of the Central Committee of the Communist Party in each of the following countries: Russia, France, Italy, Yugoslavia, Bulgaria, Rumania, Poland, Czechoslovakia and Hungary. Presumably, other parties may also adhere. Communists are already in substantial or complete control of all of the countries named except France and Italy.

By participating in this conference and endorsing its manifesto and resolution, the French Communists gave one more evidence of their alignment with Russia, but they did not explicitly accept a position of subservience. The conference did not grant the Cominform a right to issue orders to any participating party, but only to coördinate activities on the basis of mutual agreement. True to recent form, the Communists stood on the principle of national independence, with the right to veto theoretically granted.

The first question raised by the establishment of the Information Bureau is whether and to what extent it changes previous relationships among Communist parties. The hypothesis here

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advanced is that it does not change their substance, though it may improve the procedures of liaison; further, that the French Communist party has been and remains not only aligned with Russia but subservient to her as well. If this hypothesis is correct, then the formal agreement on the Cominform no more indicates where power resides than does the Constitution of the U.S.S.R. In each case it is Stalin and the Russian Communists who are dominant. They can therefore serve their ends by coördinating the power of fraternal parties abroad with that of the Soviet government, using either or both as expediency dictates. The very possession of these complementary instruments of attack or defense gives them an advantage in cold war.

Factual evidence and logical inference support the hypothesis that the participation of the French Communist party in the Cominform neither changes the substance of previous relationships nor indicates their full intensity.

It is admitted that the party was a "Section" of the Third International until that organization was officially dissolved in 1943, and it is a demonstrable fact that the party was therefore subject to orders from Moscow. According to the Comintern's constitution the Executive Committee (ECCI) or the Presidium

> gives instructions to all sections and . . . controls their activity. . . . The decisions of the ECCI are obligatory for all the sections . . . and must be promptly carried out. . . . [The Executive Committee] has the right to annul or amend decisions of party congresses or of Central Committees of parties . . . [and] to expel from the Communist International entire sections, groups, and individual members who violate the program and constitution of the Communist International or the decisions of the World Congress or of the ECCI.

Moreover, the ECCI and the Presidium had the right to send representatives to the various sections to "supervise" the carrying out of their decisions. Theoretically the governing agencies of the International were elected by delegates of the member parties, but both circumstantial evidence and the testimony of apostate Communists indicate that leaders of the Russian party (in later years, Stalin alone) exercised decisive control.[1]

[1] Benjamin Gitlow, *I Confess: The Truth about American Communism* (New York, 1940), pp. 57-58, 167, 495, and *passim*. Franz Borkenau, *World Commu-*

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Apostate Communists who deal with the subject at all attest to the fact that the Comintern freely employed its right to issue directives to its sections.[2] Moreover, the very action of the Seventh Congress (1935) in instructing the ECCI "as a rule to avoid direct intervention in internal organizational matters of the Communist parties" suggests that even such intervention (to say nothing of intervention on questions of policy) had been occurring and in exceptional cases was still to be expected. The means employed in conveying instructions varied. Conferences in Moscow, special dispatches, general resolutions of governing bodies, radio broadcasts, speeches by Soviet leaders, and articles appearing in Russian newspapers and magazines (and frequently reprinted abroad) all came into play. Louis Budenz gives particular emphasis to the point that non-Russian Communist leaders, many of whom had been trained in Moscow in the interpretation of party jargon, commonly used the cues contained in public Soviet statements as guides to the proper line.

A good illustration of the dominance of Moscow is found in the record of various parties, including the French, following the Stalin-Hitler Pact. In France, Britain and elsewhere the sections of the International had been frenetic in their denunciation of fascism and in their efforts to force their countries into an anti-Fascist alliance with the U.S.S.R. While they were hostile to the capitalist character and allegedly imperialist policies of their own countries, they were willing to relegate this hostility to the background as they concentrated on Hitler as the enemy of civilization and progress. Suddenly, however, they were confronted by Stalin's Pact of Neutrality and Non-Aggression with Hitler, which forced an immediate reconsideration of policy. They had obviously not been forewarned of the pact, and just

nism: A History of the Communist International (New York, 1939), pp. 268, 357, and *passim*. Walter Krivitsky, *In Stalin's Secret Service* (New York, 1939), p. 53. Leon Trotsky, "The Comintern and the GPU", *Fourth International*, November 1940, pp. 148-163. Ypsilon, *Pattern for World Revolution* (Chicago, 1947), *passim*.

[2] In addition to the works cited above, see Louis F. Budenz, *This Is My Story* (New York, 1947), p. 316 and *passim*. Canada, *Report of the Royal Commission appointed . . . to investigate the facts relating to . . . the communication . . . of secret and confidential information to agents of a foreign power* (Ottawa, 1946), p. 28. None of these references refer explicitly to the French Communist party, but there is no reason to believe that it was treated differently than the other parties.

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as obviously their liaison with Moscow was not tight enough to permit them to learn the approved party line forthwith. The result was confusion. Many apparently concluded that Stalin's pact was simply a diplomatic turn which did not affect party strategy. The British Communists, for instance, issued a manifesto on September 2 pledging their enthusiastic support of a war against Hitler,[3] and in France, Marcel Cachin wrote a letter to Blum, dated August 27, in which he said: "The Communist Party clearly and loyally reaffirms its position. It asserts that if Hitler declares war, he will find facing him the people of France, with the Communists in the front ranks, united to defend the security of their country."[4] Similarly, the Communist parliamentary group under Thorez and Duclos "reaffirmed its will to exert all efforts in order to assure the defense of the country against the fascist aggressors of the Third Reich."[5] Still many Communists hedged by hailing the pact as a contribution to peace, and before long a crackdown occurred which proved their foresight. Louis Budenz says that for the American party "word soon came from Moscow" that the strategy of the non-Russian parties had to conform to Stalin's diplomacy,[6] and probably the same thing happened in London and Paris. In any event, Communists soon faced the choice between withdrawing from the party or withdrawing professions of loyalty to the national cause. The British party decided that its manifesto of September 2 was "incorrect", that the war was unjust and imperialist, and that the British and French governments were equally responsible with the German for its inception.[7] The French party had to eat its own words in announcing that the war was after all a "war of the capitalists" in which the workers should take no part; in fact, the slogan, "No civil peace with the warmongers", may well have been an appeal to rebel-

[3] Victor Gollancz, ed., *The Betrayal of the Left* (London, 1941), pp. 1-2, 286.

[4] *World News and Views*, 19 (September 2, 1939), 950. This is a British Communist publication. The parties in Belgium, Denmark and Norway issued similar statements. See *ibid.*, p. 941, and the September 16 issue, pp. 971-972.

[5] *Ibid.*, 19 (September 2, 1939), 941.

[6] Budenz, *op. cit.*, p. 193.

[7] *World News and Views*, 19 (October 14, 1939), 1027. See also the December 2, 1939 issue, p. 1118.

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lion.[8] Thorez demonstrated the new Communist attitude by going AWOL after he had joined the army as a volunteer; he arrived eventually in Moscow, where he spent the war years with Togliatti, Pieck, Gottwald, Bierut, Dimitrov, Pauker and other Communist leaders who have since played important rôles in their home countries. "When I quit my regiment," he is quoted as having said, "I did not desert; I remained in the service of my Party."[9] And he boasted: "We Communists were true to the end to . . . the Communist International of Lenin and Stalin."[10]

The attitude of the French Communists led both the government and the CGT to take action against them. The government outlawed the party, banned its press, expelled from the Chamber those deputies who refused to dissociate themselves from the new line, eliminated Communists from local government, and dissolved certain trade unions. And the National Committee of the CGT terminated the mandates of party-line members of the Bureau of the Administrative Commission. Strikingly enough, even the dissident deputies who renounced the new line and remained members of the Chamber felt called upon to justify their stand by quoting a statement made at the Seventh Congress of the Comintern.[11]

Although the Communists probably engaged in some resistance activities prior to Hitler's invasion of Russia, this does not necessarily indicate independence of Moscow. A resolution adopted at the Seventh Congress of the Comintern had referred to the possibility that a weak state might be attacked by one or more imperialist Powers with the aim of destroying its national independence. War to repel such an attack might assume the character of a war of liberation, in which case it would be the task of the Communists "to be in the front ranks of the fighters

[8] *Ibid.*, 19 (October 28, 1939), 1030.

[9] *L'Epervier* (St. Etienne), March 13, 1947; quoted in *La Documentation Française, Revue hebdomadaire de la presse régionale du 9 au 15 mars 1947*, No. 86, March 21, 1947, p. 7.

[10] Maurice Thorez, "A Reply to the Vile Slanderers", *Communist International*, April 1940, p. 279.

[11] French News Service, "The French Government's Attitude towards the Communist Party", Special Issue No. 1, May 1940. *World News and Views*, 20 (April 13, 1940), 224.

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for national independence." Did not this injunction apply to France, at least after the bourgeois government had capitulated? An editorial in the *Communist International* of September 1940 was surprisingly blunt in giving an affirmative answer. It emphasized the increasing importance of the " national question " even in developed capitalist countries and dwelt on the opportunities which it gave to the working class to win mass allies in the struggle against imperialism. And, more to the point, the editor referred to the " difficult task of restoring France . . . a task which only the working class, led by the heroic Communist Party, is equal to." In light of these statements, could one doubt Moscow's will?

In retrospect it seems surprising that the French Communists were so slow to take up their cue. They may or may not have made proposals for the defense of Paris on June 6, 1940.[12] When Pétain's capitulation was imminent, they promised à fight " against the enslavement of our people by foreign imperialists," and shortly thereafter predicted that a front for the liberty, independence and rebirth of France would be created around the working class, but in neither declaration did they explicitly call for a struggle.[13] In November 1940, *l'Humanité* protested against all attempts to shed French blood " in interests alien to France " and specifically opposed De Gaulle.[14] Thorez claims, however, that in the following months the Communists organized sabotage and strikes against the Germans. Finally in May 1941, the party came out for the program which seemed to be suggested by the editorial in the *Communist International* the preceding September. It called for the formation of a broad front of national liberation, and declared itself " ready to support any French government, any organization, and all men whose efforts are directed toward real struggle against the national oppression of France." [15] Negotiations on the basis of this principle finally led to Communist support for De Gaulle.

[12] See Maurice Thorez, *Une politique de grandeur française* (Paris, 1945), p. 289. *Cf. Manchester Guardian*, July 23, 1945, 4: 6.

[13] *Communist International*, July 1940, p. 477. Thorez, *Une politique de grandeur française*, p. 290.

[14] *World News and Views*, 21 (May 24, 1941), 326.

[15] Thorez, *Une politique de grandeur française*, pp. 296-297.

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On the basis of this record, the proposition that the French Communists were subservient to Moscow, at least until the alleged dissolution of the Third International in 1943, seems to be unassailable.

What of the relationship in the period from 1943 to the establishment of the Belgrade Information Bureau in 1947? Documentary evidence of subservience during this interval is lacking, but various circumstances and logical inferences support the hypothesis that the basic relationship remained substantially the same.

The first item to be considered in this connection is the program of the French Communists. As is indicated below, their immediate demands are nonrevolutionary, and their activities while in the government were in many ways constructive, but it would be naïve to conclude from this that the party has abandoned the precepts of Lenin and Stalin or that it has freed itself from Moscow. The Communists regularly make the anniversary of Lenin's death an occasion for rededicating themselves to his cause. While open homage to Stalin is not so frequent, it does occur. At the 1945 Congress of the party, Thorez repeated slogans by which Communist martyrs of the resistance died, and among them was "Vive Staline!" In the Charter of Unity which the Communists offered to the Socialists in June 1945, were the stipulations that the new united party would "defend and propagate the dialectical materialism of Marx and Engels, enriched by Lenin and Stalin," and that in order to demonstrate the superiority of its principles it would "make known to the masses the grandiose victories of socialism achieved by the Communist Party (Bolshevik) of the U.S.S.R. under the guidance of Lenin and Stalin." The Charter further provided that the new French Workers' party would be at the same time national and internationalist—national in the sense that it would defend the true interests of France, and internationalist in the sense that it would exchange the benefits of experience in the class struggle with workers' parties of other countries. "Consequently the French Workers' Party will establish fraternal relationships with the parties of other countries which pursue *identical* ends." [16] A fraternal relationship with the Russian Community party is

[16] *L'Année Politique*, 1944-45, pp. 459 *et seq.*

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obviously implied. That this proposal reflected the then existing Communist outlook and practice is indicated by the statement of Duclos that " the Communist parties in different countries, because they hold the *same* beliefs, naturally feel close to each other and maintain fellowship between parties and individuals." Duclos declared that the Communists were subject to " no control from Moscow ", but he naturally admitted " an ideological affinity with the Soviet Union." References to the *same* beliefs and to *identical* ends are striking. Duclos manifested his affinity to the Soviet Union by attending the Cominform conference in Poland, and Thorez by remaining in Moscow a month when he went there to attend the celebrations of November 7, 1947.

The goal of the Communists, moreover, is social revolution, even though the current strategy calls for emphasis upon relatively moderate measures. Trust-busting and democracy are the dominant demands, but neither term is given a familiar meaning. In fact the Communists assign no precise meaning at all to the word " trust ". They use it (apparently instead of the term " capitalist class ") as a vague symbol of the sources of all evil in political and economic life. The definitive suppression of the trusts, they say, will make possible the organization of a planned economy directed not toward private profit but toward the satisfaction of human needs; it will end the exploitation of man by man; it will terminate the class struggle by establishing a classless society; and it will lead through a socialist to a communist society in which the principle will be, " From each according to his abilities, to each according to his needs." [17]

The term " democracy " has for the Communists a slightly more explicit meaning. In wishing to extend it, they want far more than the grant of suffrage to women or the elimination of a second chamber. In their eyes, democracy has been restricted primarily by the economic system and the class structure of society. Traditional democracy is democracy for the rich, for the few; it is in fact a dictatorship of capital. A new democracy is necessary—a mass democracy, a popular democracy. To achieve it, the trusts must be suppressed and the freedom of the

[17] *Ibid.* This portion of the proposed Charter of Unity is based on the Communist program elaborated in 1943 and published in *Les Cahiers Français*, No. 55 (March 1944), p. 8.

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exploiters and oppressors of the people must be limited, while at the same time the freedom of the workers, the peasants and the intellectuals must be enhanced. Surprisingly enough in view of the way in which the French Communists generally avoid the use of old slogans, they say explicitly that the masters of socialism have traditionally described the new democracy as a dictatorship of the proletariat.[18]

It is therefore obvious that the moderate and constructive aspects of the Communist program reflect short-term aspirations, and that the end-point is the achievement of traditional Bolshevik goals. No real divorce from Moscow is indicated.

The strategy and tactics of the French Communist party also reflect its integration in an international movement. During and after World War II, Communists throughout Europe switched together into denunciations of the imperialist war and back to excoriations of Hitler. In the underground and after, they uniformly took a line of national patriotism, democracy, unity and productive effort. Everywhere they sought the broadest possible front of national unity consistent with their own purposes, everywhere they said that their goal was the establishment of a new and more progressive democracy, and everywhere (until recently) they participated fairly constructively in economic rehabilitation.[19] Following Molotov's refusal to participate in the implementation of the Marshall Plan, they uniformly turned against it, using the same warnings and denunciatory epithets. The French party apparently slipped, in describing its new democracy as a dictatorship of the proletariat, for other parties repudiate the notion that the establishment of such a dictatorship is their goal; but the essential ideas of the new democracy are everywhere the same. For long a solid front for the " democratic " conquest of power existed—until, following the establishment of the Cominform, both the French and the Italian parties used words and engaged in acts which hinted at violence. The French party has not engaged in hooliganism and other types of political chicanery to the extent that its counterparts have in most of eastern and southeastern Europe, but that

[18] *L'Année Politique*, 1944-45, pp. 459 *et seq.*

[19] *Cf.* Vernon Van Dyke, " Communism in Eastern and Southeastern Europe ", *Journal of Politics*, 9 (August 1947), 355-391.

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fact may simply reflect different circumstances rather than different principles. Thorez and Duclos have regularly identified themselves with Tito, Dimitrov, Gomulka and the rest by hailing and glorifying the " triumphs of democracy " which these gentlemen have achieved, and they join in denouncing " reactionary, imperialist America " for its support of "monarcho-fascists " in Greece.

It is theoretically possible, of course, that the various parties arrived at similar tactics on the basis of independent reflection, but to assume that to be the case is to stretch the law of probabilities rather far. Circumstances suggest directions from Moscow, conveyed directly or through the Soviet press and over its radio. The Cominform will simply be one more means of transmitting instructions.

The development of French Communist policy concerning Germany—particularly the Ruhr—offers an exceptional example of relationships to Moscow. At first the Communists joined De Gaulle and the MRP in demanding treatment of the Ruhr as a " political entity independent of Germany and placed under a regime of internationalization both political and economic." [20] The program also called for a special régime for the Rhineland and the incorporation of the Saar within the French customs and monetary frontier. Then in July 1946, Molotov, while stipulating that the Ruhr " should be placed under an inter-Allied control of four countries," denounced the proposed separation of the region from Germany. On the latter point, therefore, his view clashed with that of the French Communists. They were obviously in a dilemma. *L'Humanité's* first report of Molotov's statement (July 11 issue) paid no attention to the fact of the contradiction, but emphasized instead that Molotov had insisted on " vigilant inter-Allied control of German industry, particularly in the Ruhr." The next day there was an editorial recognizing that a contradiction existed, but dismissing it as not insoluble; subsequent issues (July 13 and 16) indicated that a complete implementation of Molotov's program for Germany would provide adequately for French security. Nevertheless the Communist members of the Cabinet joined in reaffirming

[20] Georges Bidault, "Agreement on Germany: Key to World Peace", *Foreign Affairs*, 24 (July 1946), 572.

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France's stand, and the August 6 issue of *l'Humanité* repeated the call for the political and economic internationalization of the Ruhr. The writer has been unable to locate any French Communist references to the *political* internationalization of the Ruhr since that time. The November 16 and 28 issues of *l'Humanité* called for internationalization without specifying that it be political and economic, and since then the favored phrase has been "severe inter-Allied control (by *all* the Allies) over the Ruhr."[21] This seems to indicate a quiet adjustment to Molotov's line. The French Communists were pleased to note that Molotov had not specifically rejected their program for the Saar, and later, when he did refuse to agree to the isolated settlement of that issue, they defended his action by explaining that the problems of the Ruhr and the Saar were interdependent and that, in any case, France had de facto control of the Saar already.[22]

Pure speculation offers another angle of approach to the problem of French Communist ties to Russia. Given the fact that Moscow once directed the French Communists, what considerations might have led either party to loosen or break its ties with the other? A few observers once accepted the view that the Russian leaders desired a change because they regarded the non-Russian Communist parties as useless instruments or as positive liabilities. For instance, Franz Borkenau, author of an excellent analysis of the development and work of the Third International, greeted the announcement of its dissolution as "a new move in an old direction" and predicted that it was "only a question of time—probably a short time—before the Communist parties will follow their Comintern into the limbo. When that day comes, Russia will have as much reason to rejoice about it as Washington, London, and Paris."[23] Any basis that may have

[21] Joanny Berlioz, "Peut-on démocratiser l'Allemagne?", *Démocratie Nouvelle*, 1 (February 1947), 73. This, or very similar, phrasing was also used in February 1947, both in speeches by Thorez and Bonte and in a party communiqué. See *Cahiers du Communisme*, 24 (March-April 1947), 328; and Central Intelligence Agency, Foreign Broadcast Intelligence Branch, *Daily Report*, February 10, 1947, J 6. (Hereinafter cited as FBIB.)

[22] *L'Humanité*, July 14 and 15, 1946; and Pierre Courtade, "La conférence de Moscou", *Cahiers du Communisme*, 24 (May 1947), 427-428.

[23] "Comintern Dissolved: What Next?", *Christian Science Monitor Magazine*, June 19, 1943, p. 13.

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existed for this point of view in 1943 is certainly not apparent today. To be sure, the Third International was a source of friction in the official relations of the Soviet government with the United States, Britain, China, and many other countries. If Russia wished in 1943 to do its utmost to provide a basis for friendship and coöperation with her wartime allies, then the dissolution of the International was a logical measure. But there is little in Russian diplomacy over the past several years to indicate that this was her aim; whether the fundamental motivation has been aggressive or defensive, Russia has in fact pursued policies of aggrandizement which make the suggestion preposterous that her goal was friendship and coöperation. Further, it is a matter of fact that she has given positive assistance to Communist parties in Poland and Danubia, and in her propaganda she has championed the cause of other parties—including the French—as well. The Soviet leaders may have been, and may now be, disappointed with the performance of certain individual parties, but there is practically nothing to indicate that they ever made a general renunciation of the use of non-Russian parties as instruments of struggle. They may have changed the form or the procedures of liaison as a matter of expediency—perhaps simply as a reassuring gesture toward wartime allies—but they certainly wished the substance of the relationship to remain the same.

There is slightly greater reason for thinking that the French Communists may have wished to cut or loosen their Moscow ties in view of the handicap under which the "agents-of-Moscow" epithet placed them; but Thorez, Duclos and the rest had always been free to establish their independence. Except during their sojourns in Russia, the Soviet government never had police power over them. Their subordination was voluntary. Belief that the movement should be international, confidence in the insight and guidance of the Kremlin, dependence on the reflected glory of Russian prestige, knowledge that Stalin could throw them out of positions of leadership and cut off the flow of vital funds, and perhaps other factors kept them in the party and loyal to the International. Their faith sustained them even in the dark days of 1939-1940. Why should they have wished to cut their ties in 1943 or since? There is nothing to indicate that their loyalty

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to Stalin declined, and little to suggest diminished dependence. The very reëstablishment of the formal bond through the Belgrade Information Bureau suggests that there never was a desire to change the substance of the relationship.

At least until the organization of the Information Bureau at Belgrade, it was a moot question whether the Third International had really been dissolved. Most of the non-Communists who commented on the matter regarded the announcement of the dissolution as pure subterfuge, involving at most a transfer of functions to the NKVD or the Narkomindel and a certain amount of decentralization. Louis Budenz declares that the Comintern's representative continued to direct the work of the American Communist party after 1943. He also intimates that Duclos could have secured only from Moscow some of the material on which he based his 1945 attack on Browder for the dissolution of the American party.[24] Igor Gouzenko, the cipher clerk who fled the Soviet Embassy in Ottawa in September 1945, styled the alleged dissolution as a "farce" and presented the Royal Commission with a document prepared in 1945 in which a member of the staff of the Soviet Embassy referred to the Comintern in the present tense. Further, Gouzenko "testified that he had reason to believe that Goussarov [Second Secretary in the Soviet Embassy in Ottawa] had the task of transmitting political directives from his superiors in Moscow to the leaders of the Canadian Communist movement. These directives would include not only general political lines to be taken up in Communist propaganda, but also instructions on techniques of operation."[25] Kravchenko and others offer similar testimony. An American observer who entered Bulgaria at about the time of its "liberation" (1944) reports that leading Communists—Bulgarians, but fresh from Moscow—referred to themselves as agents of the Comintern. A *New York Times* correspondent reported in 1946 that the Communists in Trieste "are now saying that they are receiving their orders directly from Moscow and no longer from Belgrade."[26] And it is amusing to note a

[24] *Op. cit.*, pp. 287-288, 316.

[25] Canada, *Report of the Royal Commission* . . . , pp. 28, 37, 715.

[26] *New York Times*, October 10, 1946, 2: 2.

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Moscow broadcast in April 1946, in which a Russian commentator explained that the real Communists in Switzerland were in the Labor party, while a group calling itself a Communist party was nothing but a band of provocateurs. The High Church still claimed a right to distinguish between the faithful and the unfaithful.

The recent action of the nine parties in establishing an Information Bureau in Belgrade suggests either that the Third International was actually dissolved or that underground procedures of liaison were found to be inadequate and are no longer considered necessary or desirable. Even if dissolution actually occurred, however, and even if Moscow subsequently communicated its wishes only through public statements in the press or over the radio, the hypothesis of continued subservience on the part of the French Communist party remains the most likely one. If these possible assumptions were established as facts it would suggest a loosening of the Moscow tie, which might have had long-run significance, but the short-run implications could only be scant. To expect that old Communist militants, thoroughly trained in the school of the Comintern, would have ignored instructions because of the manner in which they were transmitted is to expect the incredible.

From whatever angle one approaches the question, one is drawn either by facts or by logic to the hypothesis, if not to the conclusion, that the French Communists have consistently been a part of an international movement with its center in Moscow and that they have been and are subservient elements in that movement. If this is valid, then it follows that the establishment of the Information Bureau in Belgrade will not affect the substance of the relationship already existing.

Strategy and Prospects

What are the goals of the French Communists? It would be too much to assume that any one immediate goal, except service to their cause and Russia's, is fixed and unalterable. It is in the nature of the political process that a party be ready to shift its line to meet new contingencies and seize upon any opportunities that arise. Certainly the French Communists would like to

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secure complete control of the government in Paris. The record shows their willingness, alternatively, to participate in coalition governments, or simply to obstruct French recovery and Franco-American coöperation, whether in order to weaken and discredit the West or in order to make accession to governmental power more likely.

The central question raised here is whether the Communists will be able to take over the government of France. The answer requires an analysis of the strategy of the party, of the strength which it has achieved in relation to other parties and in relation to the government itself, and of the prospect that significant change may occur in its strategy and/or in its relative strength. Treatment of the central question will automatically shed light on the ability of the Communists to serve their cause in other ways.

The Communists might be able to establish themselves in Paris by democratic or violent methods or by some combination of the two. Until they were ousted from the government in May 1947, they confined themselves almost exclusively to normal democratic means of struggle; and, while they shifted thereafter (and especially after the organization of the Cominform and the October municipal elections) to a strike program which may have had revolutionary objectives, continued action along democratic lines is probable.

The reasons for the use of a democratic strategy have varied with time and circumstance. During the war the immediate Communist objective was to overthrow German power, or at least to tax it seriously so as to relieve the Socialist Fatherland. To do this, the relatively few party members needed all possible help—from other Frenchmen and from Britain and America as well. Revolutionary tactics, they knew, would tend to alienate these potential allies, and might so antagonize the United States and Britain as to increase the alleged danger that they would join with Hitler in order to switch the war—a development which the Communists professed to fear in any case. And whether a British or an American army entered the country as an ally or as an enemy of Hitler, it would likely make short shrift of a Communist party which attempted the violent seizure of power. On the contrary, a policy of moderation and coöper-

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ation would facilitate unity within the country and among the Allies, and so make victory more likely. This policy was obviously a logical imperative.

The Communists therefore proposed a National Front and became insistent champions of coöperation and unity. In June 1942, they reversed their earlier attitude on De Gaulle by adhering to *France Combattante;* six months later they sent Grenier to represent them at De Gaulle's headquarters in London, and shortly thereafter gave their support to a proposal that he form a French government. In April 1944, after prolonged negotiations, the party permitted two members to join the French Committee of National Liberation, thus going a step beyond its stand in relation to Blum's Popular Front government, to which it had simply given parliamentary support. For the first time in European history, a Communist party accepted ministerial posts without evident and immediate revolutionary intent.

The defeat of the Nazis and the withdrawal of British and American forces from France left reasons for a pacific strategy which, although perhaps not as decisive as those which existed theretofore, were nevertheless compelling. It is probable that the Communists never regarded their chance of winning through revolutionary action as great enough to justify running the risk of destruction which would necessarily be involved. Moreover, both they and their Russian mentors knew that revolution in France would exacerbate relations between Moscow and Washington and might lead to an American counteroffensive which would place in jeopardy the "democratization" not only of France but also of the countries of eastern and southeastern Europe. Finally, they no doubt believed that they had a fair prospect of taking over the government of France by peaceful means, in which case counterrevolution and American intervention against them would be less likely to occur. Only the first of these reasons operates today with as much force as it had two years ago.

Restricted at least temporarily to a pacific strategy, the Communists have used various appeals to maximize their voting strength. First of all, they have tried to cover the stigma of their subservience to Moscow by claims to patriotism. Their record in the resistance gave them a good start in this connection

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and brought them considerable popular support. They had in fact acted as if they were patriots, attempting to organize their countrymen in a united resistance movement regardless of political or religious beliefs and in many regions leading the way in anti-Nazi propaganda, sabotage and guerrilla warfare. There is no gainsaying the heroic and sacrificial rôle which they played. They were so active that practically all who participated in the resistance were compelled at one time or another to coöperate with them. Many fell naturally under their influence and concluded that a party which did so much for the liberation of France might also be able to contribute effectively to its rehabilitation. Only De Gaulle personally and the MRP derived from the resistance anything like the following which the Communists gained.[27]

In their post-liberation propaganda the Communists have made the most of their patriotic resistance record in advertising themselves as the "Party of the Slain". Actually, they had difficulty in deciding how many of their number the Germans shot; ten thousand, tens of thousands, and 30,000 were the earlier figures used, but by the end of 1945 the figure 75,000 was agreed upon. Probably no one knows what the true figure is. Although time is inexorably dissipating the aura of renown which the Communists won in the resistance, tangible gains remain in the possession of positions of leadership (particularly in the trade unions) and in the more or less firm commitment of adherents to the cause.

The Communists have not (as yet, at least) reverted to their earlier appeals to loyalty to the workers of the world or to the Socialist Fatherland. They style themselves as patriots and regularly appeal to patriotic impulses. On every question, they claim that their solution best serves the true interests of France. Since Molotov withdrew from the Paris Conference on the implementation of the Marshall Plan, they have contended that patriotism requires opposition to that plan. The United States, says *l'Humanité*, is "tossing our sovereignty on a dung hill." According to Thorez, the old classification of "Right" and "Left" is now outmoded. Patriotic Frenchmen should ignore

[27] Gabriel A. Almond, "The Resistance and the Political Parties of Western Europe", POLITICAL SCIENCE QUARTERLY, 62 (March 1947), 28-39.

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such labels and take their stand on submission or resistance to the grip of foreign capitalism.[28]

Forced by circumstances to rely on democratic action to achieve their aims, the Communists have made it a virtue. Despite the approach to revolutionary methods in recent months, there have been no unequivocal denunciations of democracy as it already exists in France. Difficulties in government, according to the modern Communist outlook, stem not from democracy but from its incomplete realization. Democracy, liberty and freedom are terms of variable content, and the Communists say they simply want to make them fuller. They plead for " confidence in the people ", and declare that " the rebirth of France cannot be conceived except in a democracy under the flag of liberty." Thorez even hints that the commitment of the party to democratic methods is definitive. " The progress of democracy throughout the world, in spite of rare exceptions which serve only to confirm the rule, permits the choice of other paths to socialism than the one taken by the Russian Communists. In any case, the path is necessarily different for each country." [29] The most vigorous condemnation which the Communists have for De Gaulle is that he is an enemy of republican institutions and an aspirant for personal power.

One concrete episode which involved a mild test of the commitment of the Communists to democratic methods should be mentioned. In October 1944, the Council of Ministers issued a decree which in effect required the dissolution of the Civil Guards, a large proportion of whom were Communist or Communist-led and who obviously constituted a potential instrument for armed revolt. The Communists at first protested and dissociated themselves from the decision, and there are reports that both they and many anti-Communist members of the Guards buried their weapons for future use, though the party took no open action to prevent the application of the decree. Finally, in January 1945, Thorez, who had returned from Moscow shortly before and whose instructions were no doubt influenced by the fate of the Greek EAM's December uprising as well as by

[28] FBIB, October 30, 1947, KK2.

[29] " Interview de Maurice Thorez au ' Times ' ", *Cahiers du Communisme*, 23 (November 1946), 1016.

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the conclusion of a Franco-Russian alliance, gave the measure his verbal support. The preservation of public security, he said, should be entrusted exclusively to the regularly constituted police forces, and he added a warning that the local Committees of National Liberation should not attempt to usurp functions of local and departmental governments.[30] The party thus formally took the line which a democratic policy required, but the hesitation and the reported burial of arms naturally create some doubts.

In addition to extolling the virtues of patriotism and democracy, the strategy of the Communists calls for unity. They know from experience that they have a good prospect of exercising influence in " front " organizations in gross disproportion to their numerical strength. Frequently, they are able to capture complete control, probably enlarging their own following thereby, or at least destroying a competitive organization and dispersing its members. In France, the party has changed the name of various auxiliary organizations so as to make them appear to be national rather than partisan. It has sought electoral blocs, and has been particularly insistent on unity with the SFIO, proposing, in fact, amalgamation into one Workers' party. Today it seeks the unity of all persons and groups which oppose alleged American imperialism.

In keeping with this general effort to make the Communist party attractive to the voters, Thorez and Duclos have placed little emphasis on their ultimate goals, but instead have stressed immediate demands which are relatively moderate. They ask now only that the harm done by trusts be reduced rather than eliminated, for to eliminate it would require the destruction of capitalism. They ask for nationalizations, but at least in 1945 they agreed with the Socialists that indemnity should be paid to owners in the form of a lifetime right to a portion of the income from the property taken. They reassure the small business man by promising support for " medium and small industrial and craft undertakings." They have been especially solicitous of the propertied and other interests of the peasants, and have in fact gained considerable peasant support. In connection with the formulation of the new constitution, they asked, not for a full-

[30] Maurice Thorez, *S'unir, combattre, travailler* (Paris, 1945), pp. 19-23.

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fledged " true democracy ", but for an all-powerful unicameral legislature through which it might later be achieved. Thorez has explicitly denied that in electoral campaigns he sought " a mandate to apply a strictly Communist program—one, that is, resting on a radical transformation of the present régime of property and of the conditions of production that flow from that." Rather, the aim was a program of reconstruction which all democrats might accept.

Until the fall of 1947, the efforts of the Communists to improve the position of the working class were in line with the general policy of moderation. Party members emerged from the underground in substantial control of the trade unions and, when participating in coalition governments, were commonly assigned to ministries having to do with economic affairs. It is clear that they were in a position to take aggressive action designed to improve the lot of the workers regardless of other considerations. Instead, as long as the party was represented in the government, it coöperated vigorously in the recovery program, making hard work in the rehabilitation of the country one of its major propaganda themes. Thorez urged the trade unionists to accept " discipline " and frequently restrained them when they might otherwise have engaged in strikes. For long, he approved wage ceilings which, with the progress of inflation, were increasingly disadvantageous to the workers. Apparently, the goal was to remain a government party, and the means employed was to deliver working-class support to the government's economic program in return for ministerial posts.

In May 1947 the party finally broke with the government on the wage issue, and has subsequently approved and supported a wave of strikes. The reasons for the break are still in doubt. There is some reason to believe that Thorez simply faced working-class demands for higher pay which he could not oppose without risking Communist leadership in the trade unions, and that he therefore initiated a double game designed to prove to the proletariat that the party still served its interests and at the same time to prove to the Socialists and the MRP that they could not govern without Communist support. The party, said Duclos, would remain a *parti du gouvernement* and would not be so stupid as to plunge into opposition. Through the summer

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of 1947, readmission in a coalition cabinet seems to have been the major political objective, not disruption per se or revolution. Abandonment of this line in the fall of the year (a change which is considered below) involved a statement by Thorez that it had been an error to allow the ejection of the party from the cabinet to appear to be the outcome of an ordinary ministerial crisis rather than a result of the brutal intervention of American imperialism in the affairs of France.[31]

The Communist party derives strength not only from its short-run proposals and policies, but also from the doctrinal faith in socialism which it seeks to inspire. To some extent the commitment of persons to the cause, whether as members of the party or as voters, results from intellectual conviction that " capitalism " or the " trusts " are bad and that social revolution would lead to a more desirable alternative. But it seems likely that the strength of the Communists in France is due more to the nonrational, emotional influences that have been operative particularly since 1940. The Nazi invader not only shattered the French army and destroyed the French government. His victory corrupted faith in the parties and practices and institutions of the Third Republic, and produced in many cynicism, apathy, or bewilderment. Though France contributed nobly in the struggle for national freedom, the strength that overcame the *Wehrmacht* and the glory of this achievement belonged to others. Of what that belonged to France could her people be proud? And military peace did not produce peace of mind; for life remained hard, and involved problems to which no solution could be seen. Where could certainty and security be found? Not in the Socialist party, for experience with it and its worn leaders had already removed much of the basis for illusion; more probably in the enigmatic person of De Gaulle or in the MRP and the Catholic dogmas which it reflected. These symbols were all the more attractive because despite certain difficulties they could be identified with the great power of the United States. Or, alternatively, certainty and security could be found in the Communist party, dynamic, disciplined, thoroughly organized and ably led. In it were both faith and action. In it was con-

[31] Maurice Thorez, " Le combat pour la république et pour l'indépendence nationale ", *Cahiers du Communisme*, 24 (November 1947), 1116.

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viction of historic destiny. Behind it was the might of Russia where a new society had been born. And not only were the Communists symbols of a new and good society, but they appeared to be defenders of those traditional Western and French principles which still had value. They sought loyalty not for the proletariat but for *la Patrie*. Their goal was not the restoration of Russia but the grandeur of France. They wanted not the destruction but the extension of democracy. They urged not class warfare but only the elimination of the traitors and the trusts. They did not attack the principle of private ownership, but offered their program as the best safeguard of such property as was "the fruit of savings and work". They would thus usher in the new without destroying the good of the old. They wanted progress and knew how to obtain it.

However fragile these conceptions may have been, they have undoubtedly influenced great masses of the French people.

The appeal of the Communists also rests on other factors. Some observers report that many very competent people have joined the movement, both during and since the resistance period, simply because they believed it to be the best available medium for bringing order and stability in the traditionally diffused political life of the country. Others support the Communist position without real understanding or conviction on the assumption that in so doing they prove themselves *avancé*. Similarly, the vote which the Communists gain in elections is in part a protest against bad economic conditions and against the failure of the government to remedy them. Bidault holds that 75 per cent of the "Communists" have been "invented" by anti-Communists; he presumably means that those who vote for Thorez on the basis of Leftist tradition in the family or community or by way of protest should not be regarded as firm disciples of the cause.

Opposition to the Communists is based on various considerations. The repudiation of socialism, or at least the Communist variety thereof, is an important factor, particularly among the good Catholics and the people of the Right. But by all odds the most prominent argument against the Communists and the most telling one is that they are the minions of Moscow. Of the truth of that charge all parties from the SFIO through the

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PRL are convinced. Even the 1946 Congress of the Socialist Party, which was dominated by the Left wing, enacted a resolution belaboring the Communists for " political and intellectual subservience " to Russia.[32] De Gaulle avoided making an explicit public statement of his views along this line until July 1947, but then—perhaps encouraged by the attitude of the United States—he finally denounced the Trojan-horse tactics of the international Communist movement which, he said, had resulted in the establishment of a Soviet bloc with its frontier only five hundred miles from France. The French Communists, he charged, supported " exclusively and with éclat the intentions and the interests of Soviet Russia." Membership of the party in the Cominform can only intensify and extend the feeling that the Communists are agents of a foreign Power.

This attitude toward the party obviously carries several implications with it. It implies that the Communist claim to patriotism is fraudulent, that the good faith and the intellectual honesty of the Communists must ever be suspect, and that the democracy championed by Thorez would be foreign to the traditions of France and the West.

Influenced by the above considerations, the non-Communists in France have regularly been inclined to deny to party members positions which they actually granted to weaker parties without question. The most striking illustration of this occurred after the party had emerged from the 1945 national elections as the strongest in the country, when it demanded one of the three key ministries—Foreign Affairs, Interior, or War. De Gaulle balked. He could not, he said, entrust to Communists any control affecting foreign policy—whether over the diplomacy which expressed it, the army which sustained it, or the police who protected it—without seeming to abandon the policy of equilibrium between the United States and the Soviet Union. He is reported to have privately accused Thorez at that time of placing the interests of Russia above those of France and of shaping the party's attitude according to the requirements of Moscow.

Similarly the MRP refused to accept Thorez as Premier after the Communist victory in the elections of November 1946.

[32] *L'Année Politique, 1946*, pp. 208-209.

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And while the wage-ceiling issue was officially the occasion for the departure of the Communists from the Cabinet in May 1947, it seems quite possible that the tie between Thorez and Moscow was basic to the event. The Truman Doctrine had been enunciated and had made it clear that the United States regarded Communist parties as instruments of Russia. France needed American economic aid. Might not the Congress and the President be more inclined to extend such aid to a government in which the Communists had no share? Should not the Socialists therefore refuse to compromise on the wage issue? They may have had other reasons as well, but affirmative answers to these questions were probably influential.

The failure of the Communists to achieve unity with the Socialists is also to be attributed largely to the connection with Moscow. A certain similarity of aims and good feeling inspired by the common struggle in the resistance led the Socialists to agree in December 1944 to establish a *Comité d'Entente* with the Communists to study the problems of unity of action and the problem of organic unity, but two years later they withdrew. The obstacles to unity, according to Daniel Mayer, were: "Above all, the absolute fidelity of the Communists to the U.S.S.R. Also, the authoritarian organization of the Communist Party." On another occasion he said: "As regards the Communist Party, profound divergencies separate us on external policy. To us internationalism does not mean the negation of the Fatherland and the inclusive love of another Fatherland." The declaration of the 1946 Congress of the Socialist Party has already been referred to.

Following the withdrawal of the Socialists from the *Comité d'Entente* the Communists resorted to splitting tactics. To Socialists who would transfer their party allegiance they promised positions and seniority rights equivalent to those abandoned. And in the manifesto adopted by the conference in Poland, Duclos and Fajon joined in denouncing Léon Blum as a toady of the imperialists and a traitor. They were apparently bidding for the support of the Left-wing Socialists, but their measures simply confirmed the fact of their isolation in French political life.

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What are the results of the interplay of pro-Communist and anti-Communist forces in France, and what are the prospects that the party may gain control of the French government through democratic action? The position of the party can be analyzed in terms of membership, electoral appeal, and influence within the CGT.

Lenin's conception was that a Communist party should be a highly select and tightly disciplined organization; pure size was to him a subordinate consideration. If the French party were following his principles strictly in this respect, its size would not provide a very reliable index to its strength. Actually, however, Thorez has construed Lenin's principles rather loosely, and, within certain limitations, has sought to create a mass party. Under the existing practice, all citizens are eligible to membership—even those who do not share the approved "philosophical conceptions"—on two conditions: that they respect party discipline and that they make no attempt to spread propaganda within the ranks in favor of any "philosophical conceptions" other than those officially approved. Respect for party discipline could, of course, be interpreted in a narrowly restrictive way, but such does not seem to be the case. Léon Mauvais has an article in the March-April 1947 issue of *Cahiers du Communisme* entitled "Forward to an Ever Bigger French Communist Party", in which the emphasis is almost exclusively on size. He heaps scorn and condemnation on certain cells for following policies hurtful to growth—harshness toward members, excessive monetary demands, insistence on a knowledge of party principles, and so on—but has no criticism of any cell for indulgence toward members or for admitting undesirables. In view of this situation the size of the party has some significance as a reflection of its popular appeal and therefore of its strength in connection with democratic action.

It is difficult to arrive at a reliable conclusion as to the number of party members. Each year the treasurer sends out cards to regional offices which in turn distribute them to local units. Only as these cards are taken up by persons who are renewing membership or joining for the first time can the size of the party be known, and fluctuations through the year are in-

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evitable as individuals adhere or withdraw. Communist leaders frequently cite the number of cards distributed by the treasurer to the regional offices as a means of indicating membership —a practice which is obviously misleading. At the June 1945 party congress, for instance, Thorez announced that since the first of the year the treasurer had delivered over 906,000 cards and that the party was headed toward the one million mark, but the report of Léon Mauvais was that only 616,330 of these cards had actually been taken up. In the calendar year 1946 the treasurer delivered 1,034,000 cards. When the party congress convened again in June 1947, the number delivered so far was 895,000; that is, some 11,000 fewer than had been delivered by the same time in 1945. As Thorez said, "Progress has not occurred." If the ratio between the number of cards delivered to regional offices and the number taken up by individuals remained the same, the party included approximately 616,000 members in June 1947.[33] This is, of course, a considerable number, but it is a far cry from the membership figure of 1,300,000 assigned to the French party on the chart displayed at the congress of the British party in March 1947; it is also substantially less than the figure of 1,000,000 commonly used in French Communist propaganda and accepted in the American press.

In each of the three national elections held since the liberation, nonmembers have swelled the Communist vote to more than five million, and, as Thorez was so proud to say, the party emerged from two of them in first rank in terms of both the number of votes gained and the number of deputies elected. The increase in Communist electoral strength as compared with the pre-war period is marked. The 15 per cent of the total vote obtained in the 1936 elections was the highest in the inter-war years, but in 1945 the party secured 26.0 per cent and in the two elections in 1946 the figures were 26.2 per cent and 28.6 per cent. It is significant to note, however, that the parties to the Right of the Socialists gained more rap-

[33] Léon Mauvais, *Le Parti communiste français puissant facteur de l'union et de la renaissance de la France* (Paris, 1945), p. 41. Maurice Thorez, *Au Service du peuple de France: Rapport présenté au XI^e Congrès national du PCF, Strasbourg, 25-28 juin 1947* (Paris, 1947), p. 84.

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idly than did the Communists, which is to say that the voters abandoning the Socialists were more inclined to go Right than to go Left.

The municipal elections of October 1947 resulted in a setback for the Communists. In the 344 communes of more than 9,000 inhabitants which elected their officials by one ballot, the Communists secured 29.3 per cent of the vote, in comparison with the 32.4 per cent obtained in the same communes in the national elections in November 1946. Numerically, the Communist vote in these communes dropped from 1,698,004 to 1,442,941—a loss of 15 per cent. In terms of the number of seats obtained on the municipal councils the Communist loss was much heavier. In the 1,130 communes with more than 4,000 inhabitants, the proportion of seats won by the Communist party dropped from the 28.5 per cent obtained in the 1945 municipal elections to 19.5 per cent. Considering all of the 37,830 communes in France, the proportion of seats obtained by Communists dropped from 8.4 per cent to 6.4 per cent. Perhaps the most striking feature of the municipal elections, however, was the consolidation of anti-Communist forces under De Gaulle's RPF. [34]

Evidence of the strength of the Communists is also found in the CGT—a confederation of trade unions which in mid-1947 claimed a membership of approximately six million. Before the war the trade unionists who supported Communist leadership were definitely in a minority, and, following the Stalin-Hitler Pact, Jouhaux and his associates excluded their Communist colleagues altogether; but the latter emerged from the wartime underground in a triumphant position within the CGT and soon secured modifications in the structure of the leading organs and changes in the voting rules at the national congresses which enhanced their power still more. At the 1946 National Congress, they mustered 80 per cent of the votes in support of the amendment of the voting rules and secured approval by 83 per cent of the report by the Communist Secre-

[34] These statistics are drawn from the October 30, November 6, and November 13, 1947, issues of *News from France*, distributed by the French Information Service in New York. *Cf.* D. M. P., "Trends in French Politics", *World Today*, 3 (December 1947), 529-536.

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tary-General, Benoit Frachon.[35] At least until recently all of the major industrial unions and many others were under their control.

There are various signs, however, that the Communist hold on the rank-and-file trade unionists is not as firm or as extensive as their hold on formal positions of leadership. The Social Security elections of April 1947 are significant in this connection. The principal competitors of the Communist-approved CGT candidates were those sponsored by the French Confederation of Christian Workers (the CFTC), a predominantly Catholic organization claiming 800,000 members. Had the votes been divided in proportion to the claimed membership of each organization, the CGT candidates would have gained 7½ times as many as their rivals. Actually, the ratio was only 3 to 1. Votes cast for the CGT and CFTC candidates constituted 55 per cent and 182 per cent of their respective claimed memberships. These facts led even a Communist leader, Ambroise Croizat, to admit that many members of the CGT had voted for rival lists in order to escape from subjection to the Communists and that others had abstained as a result of anti-Communist influences. He was particularly chagrined by the fact that some of the workers who participated in the elections deliberately discriminated against the better-known Communist candidates. The results and the very complaints which Croizat thereupon made demonstrate the existence of widespread opposition to Communist leadership within the CGT; but, lest this be overemphasized, it should be remembered that the CGT candidate won 60 per cent of all the votes cast.[36]

Following the collapse of the Communist-inspired generalized strikes of the fall of 1947, two significant developments occurred. Large numbers of workers simply withdrew from their unions, reducing the total membership from the former theoretical and probably exaggerated figure of six million to an estimated three million.[37] In addition, a number of unions with-

[35] Henry W. Ehrmann, "French Labor Goes Left", *Foreign Affairs*, 25 (April 1947), esp. p. 470. *International Labour Review*, 53 (May-June 1946), 432, 434.

[36] Ambroise Croizat, "Dans la sécurité sociale: Bilan et enseignement d'une élection", *Cahiers du Communisme*, 24 (June 1947), 497-508.

[37] FBIB, December 23, 1947, KK 1. Paris radio press review.

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drew from the CGT to join the *Force Ouvrière*, a movement which had developed within the CGT but which asserted its independence in December 1947. Jouhaux and five colleagues from the directing board of the CGT resigned in order to give the new movement their support. The aim of the *Force Ouvrière* is to reëstablish the political independence of the trade-union movement and to leave the Communist-dominated CGT an empty shell. By the end of the year it had apparently won the support of approximately a million workers, leaving perhaps two million in the CGT. Whether or not these reported figures are accurate, the very action of Jouhaux and his associates reflects a belief that large sections of the working class can be detached from Communist leadership.

Sizing up the situation in the summer of 1947, Communist leaders in Russia and France must have concluded that the prospect of gaining power in Paris through normal political processes was slim indeed. Both the figures on membership and the outcome of the Social Security elections must have created fear that the party was stymied and declining in power, a fear which the municipal elections proved to be well founded. Furthermore, successful implementation of the Marshall Plan would definitely undermine Communist power. Even in the spring, while the party was still in the government, there were rumors of acute differences in the Central Committee and the Political Bureau over the question of the proper tactics to pursue, with Marty and Casanova said to be pressing for more extreme action.[38] Some restraint was dictated by the possibility of victory in the municipal elections, but even this consideration was not enough to induce the omission of the party from the Cominform conference in September. There a more extreme line of action for all the non-Russian parties, and particularly for the French and Italian, was enunciated. The manifesto of the conference asserted that the Communists

> must grasp in their hands the banner of national independence and sovereignty in their own countries. . . . If they know how to fight against attempts at the economic and political subjugation of their countries and place themselves at the head of all

[38] *Time*, March 31, 1947, p. 27.

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> the forces ready to defend the cause of national honor and independence, then and then only no plans to subjugate the countries of Europe and Asia can succeed. . . . The main danger for the working class at this moment lies in the underestimation of its own strength. . . .

In view of Communist assertions that coöperation in the implementation of the Marshall Plan would mean enslavement to American imperialism, the Cominform manifesto clearly called for strenuous opposition to that plan, whether through strikes or armed revolt.

The very method of the Communist attack in France reflected uncertainty and fear. There was neither armed revolt nor a general strike, for either of these measures might have resulted in the destruction and outlawry of the party. Instead the Communists chose to call individual strikes in as many industries as possible, never avowing revolutionary intent but claiming redress of economic grievances as the objective. Undoubtedly, the Communists hoped that the strike movement would snowball into one general strike, to which military action could be added in order to accomplish the seizure of governmental power, but those hopes did not materialize.

The strike movement failed, except in so far as it retarded French recovery. The government of Ramadier and then of Schuman stood firm, calling up troops and securing enactment of a law making it illegal to provoke strikes or sabotage by "threats, false news deliberately circulated, violence, physical force, or fraud." More important than the action of the government, however, was the attitude of the workers, many of whom refused to strike or returned to work spontaneously. Some no doubt acted under the force of economic necessity, but the fact that the strikes were more political than economic undoubtedly exercised great influence. The French workers, grievous as are the ills which inflation has brought them, demonstrated that they were unwilling to allow the Communists to exploit their misery to serve foreign political purposes. So widespread did the back-to-work movement become that the Communists on December 9 declared that "the manoeuvres of reaction have succeeded in breaking our fighting front at several points" and advised the workers to return to their jobs.

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As already indicated, the failure of their efforts was followed by the withdrawal of the leading non-Communists from the directing board of the CGT. Widespread defection from the party itself has also been reported.

The Communists undoubtedly retain significant electoral strength in France. They also retain, at least for the time being, enough power in the trade-union movement to cause serious additional trouble. But, especially with American economic aid assured for the winter by Congressional action in December, they have no prospect of securing political power in Paris by either political or economic action. There remains, however, the possibility of an attempt at violent revolution.

What is the prospect that the Communists could succeed in such an attempt? The answer depends in part on information that is not available; that is, on the relative military position of the potentially hostile forces. The Communists are said to possess weapons retained from the days of the underground, filched from government sources while Tillon was successively in charge of the Ministry for Air and the Ministry of Armaments, or imported secretly from Yugoslavia. They are said to have eighteen generals in the army and to have enough agents at the various airports to paralyze them at will. Marty is said to have shock troops in secret training. What is truth and what is fiction in these reports it is impossible to say. But even though the French government has had its weaknesses, it is almost incredible that it has permitted the Communists to build up a very considerable military force, and it is equally incredible that anti-Communist parties would have failed to reveal more evidence of military preparations if they were extensive. It is probably safe to assume that the suspicions entertained at least by De Gaulle and the MRP led them both to guard the national army against extensive Communist infiltration, and in these days of intricate, expensive and terribly effective weapons, popular revolution against a patriotic army is a dubious bet.

Available information is likewise too inadequate to permit any real analysis of Communist strength for revolutionary purposes in specific key areas of the country, such as Paris and important ports. It is certain, however, that the capital and

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its suburbs are not predominantly Red in terms of electoral strength, for in the municipal elections in October 1947 De Gaulle's RPF gained 49 per cent of the votes there as against 34 per cent for the Communists. And in Marseille—the only port through which Tito could send Thorez significant aid—the Communists lost their majority on the municipal council; the RPF now has 25 seats, as against 24 for the Communists and 9 for the Socialists. Whether the Communists could count on commanding any vital region of France in case they resorted to revolution is doubtful.

The distribution of members of the party has some bearing on this question. In 1945 Léon Mauvais reported that 36 per cent of the party members were located in "predominantly industrial regions", where they comprised 1.02 per cent of the population; the corresponding figures for the "semi-industrial regions" were 33 per cent and 1.39 per cent, and for the "agricultural regions" 31 per cent and 1.6 per cent. He also compared the 1945 membership figures with those of 1937, concluding that the gain in members amounted to 53.9 per cent in the industrial regions, 115 per cent in the semi-industrial regions, and 253 per cent in the agricultural regions.[39] These figures emphasize the obvious point that party members constitute a very small fraction of the total population, and they also show that substantial portions of the Communists are distributed over the French countryside outside the principal industrial centers. Their very geographic dispersion would make concentrated revolutionary action difficult and, contrariwise, would facilitate their piecemeal destruction.

The loyalty of the members and followers of the party would constitute a crucial problem in any attempt to seize power through direct military action. Statistics on membership and the nature of the party's program during the period of its growth both suggest weakness in this connection. Immediately prior to the war there were scarcely 300,000 Communists in France.[40] If desertions following the Stalin-Hitler Pact occurred at the same rate among the rank and file as among the Communist deputies (of whom 18 out of 74 abandoned the

[39] Léon Mauvais, *Le Parti communiste français*, pp. 4-5.

[40] Léon Mauvais, *Le Parti de la renaissance française* (Paris, 1945), p. 4.

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party line), the total would have been reduced to 225,000; it seems likely that it actually went very much lower.[41] At the end of 1944 the party claimed 385,000 members. If 616,000 was the correct figure as of June 1947, then 38 per cent had been members for less than three years and at least 63 per cent for less than seven. Those whose membership antedates the Stalin-Hitler Pact are no doubt utterly devoted to the cause, but the others, as reports of defections during the strikes of 1947 indicate, are probably in quite a different category.

One reason for this has already been given—that the party in recent years has placed great emphasis on size and has let down the bars even to people who do not share its basic concepts. The loyalty of many of the members recruited on such a basis can hardly be secure. Not only that; it seems to be a reasonably safe assumption that the Communists are not the only ones in France capable of employing the tactics of infiltration. Police and other hostile agents have no doubt joined the party in order to secure positions which would give them knowledge of secret plans. Even parties that have applied extremely rigid membership requirements have found it difficult or impossible to prevent such infiltration.

Furthermore the members who joined before the autumn of 1947 were won by a program which played up the symbols of patriotism and democracy and which, as already suggested, was in many ways both moderate and constructive. Many have apparently abandoned the party already as a result of the changed line in the fall of 1947, and there is a clear probability of mass defection if Stalin should order a violent revolution. Renunciation of the party is even more likely, of course, in the case of those who have voted for it without joining.

The results of a public opinion poll in July 1946 are suggestive of loyalties in France. The question was, "Of all famous persons now living, for which one do you have the greatest admiration?" De Gaulle got 23 per cent of the votes, Stalin ranked second with 7 per cent, and Thorez received so few that his name does not appear in the report. Even in the working class, where Communist influence is strongest, De Gaulle got

41 "Ypsilon" declares that at least three quarters of the membership abandoned the party (*op. cit.*, p. 385).

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18 per cent of the votes as compared to Stalin's 16 per cent.[42] So many different considerations may have influenced this vote that it can hardly be interpreted as proving anything, but it suggests that blind allegiance to Russia and the party is relatively limited.

The above considerations indicate that the strength of the party for revolutionary purposes is far below the level suggested by membership and electoral statistics. A recent statement that not more than 200,000 members are thought to be militants suggested what is probably the true situation.

Inferences can also be drawn from France's geographical position and America's policy. In case the Communists resort to violence, they could anticipate direct help from the Red Army, if at all, only in the unlikely event that the Soviet government were willing to risk war with the United States. Perhaps the Cominform could arrange some secret shipments of war matériel across Italy or by way of the Mediterranean, but the quantity involved would probably be small. In other words, the Communists would have to rely in civil war largely on matériel available to them at the outset and on whatever they could manage to produce within France. On the other hand, the very theories of the Communists concerning imperialist and expansionist America, plus Truman's active anti-Communist policy, must lead them to assume that the United States would intervene against them in response to an appeal from the threatened government. Regardless of the loyalty of their own following and almost regardless of any military preparations they might themselves have made, they could therefore not expect to win.

A final consideration relates to the Communist policy of serving the interests of the Soviet Union. A Communist-controlled government in Paris would naturally be Stalin's first choice, but he is hardly in a position to force his choice onto France in view of American policy and the American monopoly of atomic weapons. Nor can he be at all sure that the French Communists could implement his desire without Soviet aid. Rather than risk the destruction of the party, he may prefer to retain it for use in frustrating economic recovery and Franco-

[42] Institut Français d'Opinion Publique, *Sondages*, July 16, 1946, p. 168.

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American coöperation and as a potential fifth column in case of a third world war.

The conclusion to be drawn is that there is very little likelihood that the Communists in France will be able to secure power in the visible future, unless the economic situation of the country becomes intolerable; even then the country seems more likely to swing to the Right than to the Left. The municipal elections revealed a decline in electoral strength which, if anything, is likely to be intensified by the generalized strikes. In many of the trade unions the Communists for months to come will have to concentrate primarily on retaining their leadership; this may involve calling more strikes, but only rashness or desperation would lead them to use such unions soon again for purposes that are clearly political. Where Communist control of unions is reasonably secure (as is apparently the case in the unions of dockers and steel workers, for instance), political strikes could be called and might do great damage. Armed revolt is unlikely, and is unlikely to succeed if attempted. Developments in France in this connection will probably be influenced by those in Italy. If the Italian comrades should revolt, then Marty may have his day if for no other purpose than to create a diversion.

Since 1944 the French Communists have had a greater amount of popular support than they ever enjoyed before in their history—undoubtedly too a greater amount than the Russian Bolsheviks had in 1917 or than the parties in eastern and southeastern Europe had in bringing "true democracy" to their countries since 1944. But the situation which the French party has faced differs in several important respects from the situation in which fraternal parties recently achieved triumph. The government has not been impotent; competitive parties have been better organized and more alive to the dangers of "unity"; the people are more practiced in democracy and firmer in their support for traditional values; and, above all, the electorate and the non-Communist parties have been able to act in relative freedom from fear of the Red Army.

The prospects of the French Communist party are dim almost regardless of the policies that the United States pursues henceforth, but it is too soon to say that this country can

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afford to stand completely aloof. The establishment of a Communist régime in Paris would be a disaster of such magnitude as to dictate American concern as long as even a bare possibility remains.

Fortunately for the United States, it is now clear that the French people would accept communism only under extreme pressure, whether military or economic. By presenting a barrier to the Red Army in Germany, the United States is at least minimizing the military pressure to which France might otherwise be subjected, and, through the interim aid plan adopted by Congress in December 1947, we are reducing the economic pressures which lead to political extremes. The continuation of both of these forms of aid until France achieves a reasonable degree of political and economic stability will clearly contribute to the long-range security interests of the United States.

The United States is also aiding France by the latent threat of intervention on invitation in case the Communists should resort to violence. This threat should be made explicit. No purpose can be served by allowing the French or the Russian Communists—or for that matter the American people themselves—to remain in doubt concerning the vigor of the American reaction to an attempt to spread Stalin's empire into western Europe by military means.

Finally, the information services of both private and public American agencies can be important as means of combating communism. The Communists are in a vulnerable position, for they pretend to be national patriots while in fact they serve an international cause and are frequently compelled to adopt a line which is clearly against the national interest. In the long run, it may be as vital to drive this fact home to the French and other people as to offer economic or military aid. Moreover, the vicious propaganda attacks of the French Communists against the United States call for a verbal counter-offensive dwelling on the true nature of their own movement, their methods and their goals.*

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THE BUSINESS CYCLE: PSYCHOLOGICAL APPROACHES

LOOMING up over the near horizon is another depression—perhaps mild, perhaps severe. Everybody talks about it; but nobody does, or can do, much about it, for effective action waits on understanding, and we are still ignorant about the real dynamics of the business cycle. Yet, depression and inflation alike are much too important today to leave untamed. Certainly we should waste no time, and spare no necessary resources, in trying to discover the secrets of the cycle.

Our last depression was a costly and harrowing experience. Estimates of the loss it caused the nation range from $130 billions to $290 billions.[1] These figures measure lost national income—lost production of agriculture, mining, manufacturing, transportation, commerce and the other activities in which our citzenry is normally employed. Astronomical as they are, such figures do not, however, measure the additional losses resulting from malnutrition, sickness, uncompleted education, business failures, interrupted and truncated careers, frustration, broken homes, crime, delinquency, and the myriad other effects of economic malaise. Nor do they show how seriously our depression injured the economies of many other countries, by cutting off their normal sales to us, and thus sharply reducing their ability to buy from us the goods they needed. The consequent deepening of economic distress abroad strengthened the trends that eventually culminated in World War II; and the evils of suspicion and fear of our economic undependability and infectiousness were left to poison the atmosphere of international relations for years to come.

[1] Dr. Isador Lubin estimated, in hearings before the TNEC, that the loss of national income from 1930-1938 was $133 billions (1929 dollars). Dr. John P. Wernette estimated the cost of ten years of depression at $200 billions (1940 dollars). Dr. Louis H. Bean estimated the loss of national income between 1929 and 1938 to be $293 billions (1929 dollars).

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True, there are those who find good even in depressions—at least in the milder kinds we experienced before 1930. They argue that hard times force business men to invent more efficient ways of doing things, and that the starvation diet of adversity cuts the fat of extravagance and inefficiency off many a self-satisfied business. Dr. Alvin H. Hansen says:

> Cyclical fluctuations have the effect of giving the whole economic structure a good shake-up and keeping the system reasonably flexible and mobile. . . . .Depression . . . clubs down the impossible demands made by the employed agents of production, until the rates have reached a point at which full employment again becomes profitable. What will there be to keep these demands in check when depression is gone? [2]

The starvation diet that results in some companies becoming lean (though not necessarily muscular) also forces many others into bankruptcy. Moreover, adversity does not affect the inefficient alone and spare the efficient; both suffer in bad times, and few people today see any result but a net loss to society from a severe business slump. The human costs of unemployment, of lost opportunities, and of a widespread and sharp reduction of living standards are too great and too well known to need further elaboration in our indictment of the business cycle as one of the most important unsolved problems of our times.

Depression itself it not the only evil; the *threat* of depression is also an evil. This threat haunts all discussion of our economic problems, national and international. It is a potent deterrent to the spirit of enterprise, to risk taking, and hence to the capital formation on which our rising standard of living is based. Society's economic insecurity is always in the background of the consumer's mind as he wonders whether or not to buy a house or an automobile, and in the background of the business man's mind as he tries to determine the opportune time for industrial modernization and expansion. It is in the background too when management and labor bargain about the terms of next year's contract, and when diplomats discuss the possibilities of freer international trade. Society could be much more productive

[2] Alvin H. Hansen, *Economic Stabilization in an Unbalanced World* (New York, 1932), pp. 192-93.

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even in good times, and international tensions would be much relaxed, if we could banish the fear of future depressions.

Apparently, recurrent business depressions have characterized our economic activities for at least as long as business enterprises have played an important rôle in them. Whether or not depressions have been becoming more serious over the years, as the economic interdependence of our highly complex industrial society has increased, is still under dispute; but it is undeniable that the disease of economic depression is both chronic and extremely serious, and constitutes a major threat to our civilization. A recurrence of the severe depression we experienced in the thirties might well eventuate in social upheaval and substantial changes in our present forms of economic and political organization. It would certainly result in disruption of our international relations; and the likelihood of consequent economic warfare and distress abroad—leading to possible political realignments—is not pleasant to contemplate.

Yet, faced with this enormously costly disease of our economic society, what are we doing to cure it or at least to mitigate its violence? Certainly not nearly enough; half-measures at best, and those too reluctantly prosecuted to give us hope that much help can come from them.

Business men themselves, through the Committee for Economic Development, have been exploring the possibilities of coördinating their forward planning (on a voluntary basis), in order to reduce the uncertainties of the future and, as a result, to minimize the necessity of sudden changes in investment, prices, inventory policy, and so forth. It is too soon to tell how much may be expected from this approach to the problem. Certainly, voluntary coöperation in combating the business cycle has not proved effective in the past, as Herbert Hoover will testify.

Private enterprises have, in addition, spent a great deal of money on business forecasting, so that advantage could be taken of expected price swings, plans for economic defense made in time, and bold undertakings not entered into inopportunely. But each individual forecaster, even if his advice is acted upon, affects only a relatively small sector of the whole economy; and

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the diversity of forecasts at any one time (witness the contradictory forecasts for 1947) makes it unlikely that even those business concerns that rely on forecasting will act promptly and in concert.[3]

Most likely to be effective in counteracting the business cycle is the federal government; yet provisions for federal action are pitifully inadequate. True, we now have a Council of Economic Advisers, whose duties include the continuous study of economic developments and the formulation and recommendation of national economic policy " to promote employment, production, and purchasing power under free competitive enterprise "; but this Council is consultative and advisory only, with no executive authority. The Congressional Joint Committee on the Economic Report stands ready to initiate legislative action to achieve these same ends, but has not yet found action necessary enough to test Congressional reaction to any proposals of this sort. We have also, in several of the federal government departments and agencies, well-trained economists and statisticians engaged in measuring, analyzing and interpreting fluctuations in economic activity, and in formulating plans to adjust governmental investment, spending, taxation and regulation to counteract these fluctuations; but the range of their researches is seriously limited by available funds and by the terms of the statutes under which they operate. Furthermore, there are only a few measures (such as changing the margin required for purchase of securities, altering the rediscount rate, and so on) that, without express authorization by Congress, government departments or agencies (or the Federal Reserve Board) can today take to influence the course of the business cycle.

Moreover, most fiscal or monetary control actions taken in this country have been too late to do the maximum good anyway, partly because the statistical danger signals we have used have been collected and published too late to be very useful, partly because advance planning has been inadequate (it takes

[3] A business crisis is, of course, characterized by many businesses acting in concert. Without good forecasts, however, they correct errors of expectations too late, after they have become overextended. Prompt action to avoid overextension, not cancelled out by others going even further astray, might do much to minimize the severity of business fluctuations.

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time to draw up blueprints), and partly because the deliberative or executive bodies involved have been too slow in making up their minds what to do. "Too little and too late" well describes our warfare on the economic front.

Neither business nor government will be able to take effective action to minimize business fluctuations, however, until much greater progress has been achieved on another front—the frontier of intellectual understanding. Basically, we can never hope to predict the course of the business cycle, or to frame measures adequate to control it, unless we understand it.

We do not now understand the business cycle. Or perhaps we should say that we do not understand the numerous specific cycles in different types of economic activity that, demonstrating some repetitive patterns and some tendency to be correlated with each other, enable us to speak of "the" business cycle. True, there are many theories of the cycle's nature, many studies behind those theories, and some keen insights derived from the theories; but the nature of cyclical business behavior is still very obscure. There is possibly less basic agreement in this field of economic thought than in any other.

It is not for want of able analysts that much is still mysterious about the business cycle. Among the men who are or have been deeply concerned with the analysis of the cycle are found some of the ablest minds in economics. Lord Keynes, Wesley C. Mitchell, Alvin H. Hansen, Albert Aftalion, Arthur F. Burns, Roy F. Harrod, Warren M. Persons, Simon Kuznets, M. I. Tugan-Baranowski, Leonard P. Ayres, John M. Clark, Joseph A. Schumpeter, Arthur Spiethoff, Jan Tinbergen, Ralph G. Hawtrey, Henry L. Moore, Friedrich A. von Hayek, Nikolai D. Kondratieff, Bertil Ohlin, Gottfried Haberler, James W. Angell and A. C. Pigou are names with which to conjure. But ability is not enough. And multiplying the number of such men concerned with the analysis of the business cycle would not in itself correspondingly accelerate the solution of the problem of the cycle.

A cursory study of the books and articles written by these economists will quickly reveal the main obstacle to their (and our) progress. It is simply that they lack certain of the facts

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they need in elaborating and validating their theories; and, as social science is now organized, they have no way to get those facts. Of course, facts alone would not solve anything. Plenty of good hard thinking would be necessary once the requisite additional facts were available. Perhaps, even, the problem of the cycle is actually insoluble. But one can hardly expect to solve it without adequate factual material.

This does not mean that there are not masses of facts, of a sort, already available. Tribute should certainly be paid to the National Bureau of Economic Research, the Department of Commerce, and other organizations, for the extraordinary work so far done in collecting and refining statistical time series. Burns and Mitchell, in their *Measuring Business Cycles*, speak of studying more than eight hundred monthly and quarterly statistical series for the United States alone. They have studied

> the production of commodities, construction work, transportation and communication, prices at wholesale and retail, sales by merchants and manufacturers, the stocks of goods held by various hands, foreign trade, hours of work, wage rates and employment, the disbursement of money incomes to individuals, the profits or losses of business enterprises, the formation of new businesses, savings and investments, dealings in securities, interest rates, currency, banking, and the aggregate volume of business transactions . . . [and] hope to expand this list by analyzing also changes in the balance-sheet items of business enterprises, public finance, and the social concomitants of the business cycles [such as birth and death rates, marriage and divorce rates, poor relief, unemployment benefits, school attendance, and crime].[4]

The series already studied are quite adequate to show that business cycles do exist, that there are separate but more or less highly correlated specific cycles in different types of economic activity, that peaks and troughs of over-all activity can be identified and dated, and that leads or lags of specific cycle peaks and troughs can be measured.

The existing statistical series, numerous as they are, are nevertheless inadequate to enable us to understand and eventually to

[4] New York, 1946, p. 18.

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control the business cycle.[5] They are inadequate in two respects. First, they are in the main someone else's facts, collected for someone else's purposes, usable for business-cycle analysis only by forcing and in default of anything better. As Burns and Mitchell say:

> The adequacy of the statistical records, and therefore of our observations upon cyclical behavior, differs widely from subject to subject. For example, statistics of inventories, sales by manufacturers, savings, and retail trade, are meager. On the other hand, price quotations at wholesale, and data on exports and imports of individual commodities, are so abundant that we cannot afford to analyze all the available series—which does not mean that we can obtain just the data we should like best to have on these subjects.[6]

With the exception of certain forecasters who themselves collect some statistics, of government economists who collect certain statistics under strict limitations, of some very recent surveys of consumer and business expectations, and of a few very specific investigations of the National Bureau of Economic Research, analysts of the business cycle have had to "make do" with the second-hand facts they found lying ready to hand.

A second type of inadequacy, and a much more important one, is that most of the facts thus far made available to economists are shallow facts, records of surface manifestations, statements of what people have done, not why they have done it. Of course it is important to know how much pig iron has been produced, what price cotton sold for, how many businesses failed, how many people were employed and what they were paid, how savings deposits grew. But what of the motives

[5] Control is a long step beyond understanding, of course. There is no way to guarantee that thoroughly objective facts will not be misused by special interests to rationalize their positions on economic policy; or to guarantee that agreed remedies will be put into effect when the facts so dictate. (Economists were almost unanimously opposed to the Smoot-Hawley tariff of 1930, and are today nearly as unanimous in opposing an immediate general reduction in taxes.) But certainly control can never be dependable if it rests on inadequate understanding; and just as certainly we may expect fuller knowledge of the cycle to result in measures of control that are very different from those now generally recommended (primarily compensatory spending, flexible tax rates, and other measures that attack the *symptoms*, rather than the underlying *disease*).

[6] *Op. cit.*, p. 18.

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underlying these actions? What of the attitudes, the beliefs, the hopes, the expectations, the fears? Just as important as the fact that a man buys a shirt is the reasoning behind his purchase; perhaps his reasoning is more important. Has one of his shirts worn out? Has he had a raise and decided he can afford more shirts? Is he afraid that shirt prices will go up next week? The economist would draw quite different conclusions from shirt sales made for these different reasons. In fact, *unless* he knows the whys and wherefores, the economist may very easily draw erroneous conclusions from apparently unambiguous facts.

The importance of psychological factors in economic behavior is recognized by all economists, and particularly by the business-cycle theorists. Nearly every writer on the business cycle speaks of " waves of optimism " or of " pessimism " sweeping the business world, or of " loss of confidence " in the future, or of relative " liquidity preference ", or of changes in " expectations of profits ", or of changing " time preference ". Booms and depressions are inexplicable without imputing psychological factors; yet there is practically nothing available to the business-cycle theorist in the way of psychological statistics concerning economic behavior. This is the most serious lack in the modern statistical armory.

The scientific approach to any problem means the collection of facts, the formulation of generalizations (hypotheses) based on the analysis of those facts, the testing of those hypotheses by the collection of new facts under controls rigid enough to prove or disprove the hypotheses, the formulation of new hypotheses, and so on. What economists now need most is the means to collect the precise sorts of facts necessary to prove or disprove their hypotheses, whether psychological or economic. Today they lack the means to set up controlled experiments, or to collect their own statistics under such careful controls that a continuous proving and refining of their generalizations can be carried out. At present, economists are in a situation comparable to that of doctors trying to determine the cause of an epidemic of a new disease and, because they are unable to examine any of the patients, attempting to understand the disease by analyzing the daily changes in the death rate. They see business men making investment decisions, trade unions demanding

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higher wages, consumers joining buyers' strikes. These are overt actions, but behind them are attitudes, hopes, expectations. Investigation of these underlying factors would provide far greater understanding of economic behavior than can any study limited to overt actions alone.

It is, of course, quite feasible to collect facts of a psychoeconomic nature. Extensive and intensive interviews with consumers and business men have been widely used by market research organizations to determine market potentials, business trends, consumer preferences, the effectiveness of advertising and other promotion, and so forth. At the same time, organizations polling public opinion have used much the same techniques both for determining political trends and for measuring social attitudes, their correlates, and their changes under the impact of events. Techniques of measuring attitudes today go beyond mere opinion collecting, and measure attitudinal intensities and the general factors that underlie clusters of specific attitudes.

A single example of the need for more basic research on concepts used in economics may be taken from the literature on the business cycle. John Maynard Keynes's *General Theory of Employment, Interest and Money* is perhaps the most widely known of recent books on the subject.[7] Like many earlier business-cycle theorists, Keynes based his "general theory" not simply on the study of statistical material (of which he had much less than most American economists) but also on certain psychological assumptions. In the analytical system which he constructed, four major factors sufficed to determine the level of employment and income. Of these four, three were psychological (the fourth was the quantity of money).

Let us consider a single one of these four major factors, the factor Keynes called "liquidity preference". He used this term to refer to the propensity of business men and consumers to hold part of their accumulated assets in highly liquid form, such as cash or demand deposits, instead of investing them.[8]

[7] New York, 1936.

[8] There is no suggestion here, of course, that "liquidity preference" is a psychological ultimate. Keynes himself pointed out that it depends on (1) the need of cash to carry on personal and business transactions, (2) the desire for security against future price increases, and (3) the desire to profit by speculation in commodities or securities.

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Even in depression, when there is apparently a great excess of cash available for investment and few borrowers wanting it, the interest rate does not fall below 2 per cent or so, because the owners of liquid assets would rather retain their liquidity than lend for a very small return. Liquidity preference is, of course, greater at certain points of the business cycle than at others.

This conception of a variable psychological limit below which interest rates could not fall has very important implications for theories of the business cycle, and its importance has resulted in attempts to measure it at second hand. For example, the total expenditures in each year have been compared with average cash balances held that year. But has anyone gone to individuals and asked them about the basis of their liquidity preferences: to find out *why* they hold liquid assets, and how they might be persuaded to part with liquidity at very low rates of interest, if that were desirable (as in depression periods)? Only in the studies of consumers' liquid-asset holdings now being carried out for the Federal Reserve Board by the Survey Research Center of the University of Michigan, and widely quoted and analyzed in marketing and business planning circles; but not over a long enough period or frequently enough so that a series of measurements of liquidity preference (and its determinants) could be compared with statistical series showing consumer and business purchases and investments, thereby making it possible to study adequately the exact timing of fluctuations and the quantitative significance of this factor in the whole complex of the business cycle. The liquidity preferences of business men—much more important for cycle analysis—have not been investigated directly at all.

If there should be a psychological epidemic of pessimism about the economic future, and if that pessimism should breed more pessimism and in fact help to bring about the very danger that was feared, surely the economic doctors should get closer to the disease than simply studying statistics of prices, new orders, inventories, and so forth, reported to them *after* the recorded actions had taken place, in many cases weeks or months later. They should find out about business hopes and fears, about expectations and plans, about decisions taken in advance of those

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actions.[9] The Federal Reserve Board surveys mentioned above give helpful information on consumer expectations. So does the Consumer Outlook survey, recently started for *Fortune* by Elmo Roper. Business expectations have also been surveyed by *Fortune;* and by Dun & Bradstreet, Inc., for the Congressional Joint Committee on the Economic Report. Except for these surveys, and except for a quarterly survey on the investment expectations of business, published by the Department of Commerce and the Securities Exchange Commission some months after the information is collected, nothing of this sort is available to economists or governmental officials now. Small wonder that the business cycle is untamed!

The survey technique is of course not the only one applicable to the study of psycho-economic behavior. For some problems, the approach of the cultural anthropologist will be more fruitful. For others, the techniques of experimental social psychology will provide valuable insights. The basic need is to broaden the range of problems and techniques of business-cycle research, centering attention on the individual rather than on the aggregate, and on the bases of behavior rather than on the records of behavior.

Students of the business cycle who study the whys of economic behavior by going directly to individuals could learn other things of value at the same time. They could find out the relative importance of significant individuals, significant firms, significant regions, significant industries, instead of following traditional economic thinking, which has too greatly emphasized averages and aggregates. In any study of liquidity preferences, to continue with the same illustration, it would be more important to investigate the motivations and behavior of individuals who had available large amounts of cash or credit than to study those who could command neither; the changes of attitude of the former would have a greater impact on the economy than of the latter. Furthermore, even within a group of individuals with similar liquid-asset holdings at any one time, it would be

[9] There are indications that business optimism is greatest immediately before a collapse, that psychic changes in liquidity preference occur almost overnight. To the extent that this is true, it underlines the importance of studying the attitudes and expectations of business men to find out whether any psychic indicators of accumulating apprehension accompany the outward evidences of optimism.

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important to study more intensively the individuals who appeared to be " opinion leaders ", who were the first to change their liquidity preferences and the first to act upon those changes (the two are not necessarily the same, of course). What media of communication reach such persons? What magazines, newspapers, radio commentators, tipster letters, affect their attitudes and their behavior? In what ways and how quickly do these individuals influence the behavior of others? Are there different " opinion leaders " in good times and bad? Are different media differently effective in good times and bad? One could suggest many other questions to be investigated in such a study. Until these and many related questions can be answered, our understanding of the complex social interaction called " the business cycle " will be inadequate.

There is a further point: economic theories—whether Keynesian or not—are of very great practical importance today. Much public policy is based upon, or influenced by, economic theory, and rightly so. (Policy-makers who claim to work without theory rely nevertheless on implicit—and often indefensible—assumptions.) Economic theory requires the use of psychological assumptions; but how can credence be given to policy recommendations based upon an economic theory that employs untested psychological assumptions?

The emphasis placed on our failure to study the psychology of economic behavior is not meant to imply that the nonpsychological statistics available to the student of the business cycle are reasonably adequate for his needs; they are not, either in comprehensiveness or in quality. They need complete overhauling: to refine existing statistical series into instruments precisely suited to the analytical tasks demanded of them, and to develop new series especially designed for business-cycle analysis, even if they have no other use at all.

For example, inventory figures are published frequently for many industries. Amounts and kinds of inventories in the hands of manufacturers, wholesalers and retailers are considered very significant as indicators of the general health of business. And yet, in a period of rapidly changing prices, such as the past year, what do they mean? For most series, it is impossible to tell how much of an inventory change is a result of price

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changes and how much is a result of actual changes in physical quantities. These statistics would be far more useful if they could be broken down into two kinds of series: one showing price changes and the other changes in physical volume.

Again, statistics of new orders received by manufacturers were given great prominence in the immediate post-war months. Apparently, huge backlogs of orders were waiting to be filled. This indicated that a high level of production—particularly in producers' goods and consumer durables—could be sustained for years. But everyone knew there was much duplication in these new-order figures. Just as a consumer eager to get a new automobile might put his name down on five dealers' lists, so also many manufacturers, wholesalers and retailers had duplicate orders on the books of several suppliers at the same time. Some studies of this duplication of new orders were made, but they were inadequate and not generally available. Measurement of this duplication, and corresponding deflation of the new-order statistics, would have helped the economist and business planner immensely.

Again, the Federal Reserve Banks publish statistics of bank clearings for more than 200 business centers; but bank clearings include payments for commercial transactions and payments for financial dealings. It is impossible to tell directly whether a bulge in bank clearings is the result of a flurry of security trading or of a sharp rise in retail sales, although independent series of department store sales and security exchange activity provide indirect evidence. It would be of great value to the economist if these two classes (and perhaps even finer breakdowns) of economic activity could be reported in separate statistical series.

What holds the economists back? Is it technically impossible to get to individuals and to measure their liquidity preferences directly? Is it impossible to find out which persons have the largest amounts of cash and credit available and thus the greatest potential impact if their liquidity preferences change; or to find those who are "opinion leaders" in their economic communities, and whose changes in liquidity preference have the greatest impact on the liquidity preferences of others, even though their own holdings may be small? Would manufac-

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turers and banks refuse to coöperate in the refining of statistics of inventories, new orders, and bank clearings?

The answer lies partly in the excessive specialization of the social sciences in modern times. John Stuart Mill was an economist, but he was also a psychologist, a political scientist and a philosopher; today he would be only one of these. Specialists in the separate social sciences move in different circles, read different professional journals, and see each other only on infrequent official occasions. Few economists are interested in utilizing the personal-interview techniques that have been perfected for psychological investigation and for commercial market and opinion research. Few psychologists are aware of the crucial importance of psychological factors in such politico-economic problems as the control of the business cycle. The Social Science Research Council, the foundations, and some universities are trying to bring the schizophrenic social sciences together, but their campaign is far from won.

Another obstacle has been of the economists' own making. In the development of economic theory, the economists started off by saying, "*If* we can assume that a business man's only motive is to maximize profits, then his behavior in a wide variety of adequately described situations can be predicted." This was a very convenient assumption, for it lent itself to rigorous logical deductions. But many economists somehow forgot that it was only an assumption—or were reluctant to complicate their subsequent thinking and teaching. Insensibly, more and more economists thus came to say, "*Because* a business man's only motive is to maximize profits, his behavior in a wide variety of adequately described situations can be predicted." Their oversimplification made possible the erection of an imposing theoretical structure; but many of them were unable to get out of it again once it was built. Their limitation of "economics" to explanation in terms of a single motive cut such economists off from some of the most promising lines of research.

Even within their chosen field of interest, moreover, economists have been held back by a tradition of arm-chair scholarship, as opposed to field study and the collection of original observations on behavior. Research economists and statisticians have developed the techniques of mathematical statistics to a

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high degree of complexity and subtlety and, rather than undertake the possibly demeaning and certainly tedious task of collecting original and significant data, they prefer to sit at their calculating machines fitting second-order parabolic curves, frequently forgetting that the data to which they fit these curves are to a considerable extent unreliable, lack precision and adequate detail, and are partly irrelevant to, because collected for other purposes than, the problem they are studying.

More than specialization or tradition, however, the greatest obstacle to improved research on the business cycle is financial. It costs money for the economist to collect his own statistics. To work out price indexes for inventory series, as suggested above, would require the coöperation of many business men in making their records available; and it would require a large staff for the analysis of these records. Again, eliminating new-order duplication, or at least measuring it by sample surveys so that the new-order statistics could be properly deflated, would be expensive. Manufacturers would undoubtedly coöperate in such studies, but it would be unreasonable to ask them alone to support these studies, for they are only one of the groups that would benefit from the information obtained. To collect series of bank-clearing statistics of different types might require substantial annual payments to coöperating banks, to obtain their help in tracing the economic nature of payments made by check. It would be similarly costly to make the necessary improvements in the many other economic statistics that must be studied by the business-cycle analyst.

In particular, the psychological survey type of investigation suggested above would need generous financial support. It runs into money to have carefully trained, competent investigators interview a fairly large and representative cross section of the consumers, business men, investors, and other persons whose attitudes and decisions ultimately determine the course of the cycle; and it costs much more money to undertake to carry out periodic surveys, perhaps every month or even every week. That it costs a great deal is apparent from the operations of any of the great opinion or market research organizations, which maintain nation-wide staffs of interviewers and elaborate statistical installations at their headquarters.

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Why should financing be so difficult to find? Our annual expenditures for scientific research, even before World War II, exceeded $300 millions, according to the Office of Scientific Research and Development. The average cost of depressions, if we could pay for them in good years and in bad, would be 15 to 18 billions (of current dollars) a year during the last twenty-five years. If that cost could be cut ten per cent, it would justify expenditures on economic research of hundreds of millions of dollars a year; yet it is doubtful that two million dollars is now spent annually on business-cycle research (exclusive of the cost of the forecasting work done by business and financial concerns).

To date, economists have thought in terms of very modest research programs. They have not pressed for really large-scale financial backing, partly because they have not been imaginative enough to conceive of gathering their own data, in the form and in the detail adequate to their needs, or to conceive of organizing the means to carry out this collection; and partly because their elaborate statistical techniques have hidden the inadequacy and irrelevance of much of the material they use those techniques to analyze.

It takes large plans to stir the hearts of men; and it will take large-scale statistical collection to make possible real progress on the analysis of the business cycle. It may not require the necessarily wasteful simultaneous attack on all research fronts that made possible the development of the atomic bomb in the short time then available; but a conception of that audacity is going to be required. The possible contribution to the national welfare is of a comparable order of magnitude.

Two steps need to be taken. First, there must be a plan of attack that completely dwarfs any existing program of investigation; it must be a coördinated social science attack, utilizing the experience, the conceptual hypotheses, and the practical techniques of all of the groups whose professions or vocations have led them to study human economic behavior. The economists and the statisticians should of course take part. But their problems and hypotheses should be subjected to the cross-fertilization of social psychologists' thinking, of business forecasters' insights, of criticism by political scientists, cultural anthropologists, his-

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torians and lawyers. There should be professional technicians in the market and opinion research field, to help develop techniques of obtaining exactly the types of data wanted; and there should be representatives of government and business groups who would look forward to the practical uses of new facts and theories in forward planning and the development of control measures. These groups should review all existing theoretical and statistical material, in whatever field, and lay out a detailed and integrated program of research that would test existing hypotheses and fill in the gaps in our existing knowledge about the cycle.

Second, when the research program has been elaborated in preliminary form (its details would constantly change as new material became available, of course), adequate financing must be sought. It need not all come from one source, although a continuing integration of research efforts would certainly be highly desirable. But the total funds should far surpass those available for earlier programs of economic research.

In its present treatment of the problem, our society is being penny-wise and pound-foolish. We should certainly be economical in the management of our affairs; but it should be a well-managed economy, not a misdirected parsimony. Spending the money necessary to collect the facts is a prerequisite to understanding and controlling the business cycle. The potential savings to society of such control are tremendous, as are the indirect benefits in terms of more stable international relations. To postpone the solution of the business cycle by denying it adequate funds is the most shortsighted of economies. Certainly we should throw into this endeavor all the financial support, all the public support, and all the manpower necessary to solve the problem. Without that support the solution may be long postponed; and without its solution we cannot hope to build adequate defenses before the next—and perhaps the world's worst—depression is upon us.

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MONETARY AND FISCAL POLICY IN POST-LIBERATION AUSTRIA

A Case Study of Financial Reconstruction in Post-war Europe

THROUGHOUT history monetary expansion has been an inevitable consequence of war. World War II has been no exception to this rule, but perhaps never before has the world witnessed so concerted and on the whole so successful an effort to conserve the value of newly created money. In this country, despite considerable price increases since the end of the war, there is still genuine hope that someday we may be able to exchange the liquid assets acquired during the war for as much real income as we volunteered or were forced to forego. Moreover, the presence of vast amounts of money and near-money in our economy may serve to sustain effective demand at a level necessary for the maintenance of high income and full employment.

In the countries of devastated Europe, on the other hand, such hopes and speculations would be dismissed as idle dreams. The wartime expansion of money and monetary claims in these countries has been accompained by a severe shrinkage of productive capacity. The financing of reconstruction and, in some countries, of reparations and occupation army expenditures involved the issue of large additional doses of money titles at a time when manufacturers, farmers and workers alike had little interest in adding further to the money burning in their pockets. In fact, everywhere they were beginning to dispose of it at any price, if not in "white", then in "grey" and "black" markets. Governments were now confronted with the question whether, and if so how, they could bring the money surfeit under control: whether merely to put it in fetters by blocking currency and bank deposits or by the issue of forced loans, or whether to remove it altogether by cutting the value of money and monetary claims by a straight percentage or by

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imposing capital levies. Some governments thought they should do without such drastic devices and rather rely on reinforced price, wage and production controls, and still others were not averse to a considerable rise of the price level or to relaxing controls altogether and letting the price system absorb the shock of increased spending.

Such were the basic though not always mutually exclusive alternatives from which many a European government, including that of Austria, had to choose if it wished to avoid or to bring to an end monetary disorders. It is the purpose of this paper to bring together some of the relevant facts—economic and political—which determined the monetary and fiscal policy decisions made in Austria and thus to put into perspective the story of Austria's effort to regain—against great odds—a measure of monetary stability.*

I. *The Contraction of the Monetary Overhang*

A. *Supplies, Expenditures and Money Stock in 1945*

At the time of her liberation Austria had been an integral part of Germany for more than seven years, sharing fully in the fortunes and misfortunes of the Nazi Reich, gaining a great deal of new industrial capacity, but paying in the end heavy penalties for her participation in Hitler's gambles, involuntary and reluctant though it was. During the final phases of the war her economy, particularly in the eastern part of the country, suffered grievous wounds through physical damage and destruction, resulting from air raids and land warfare. Upon liberation, her industrial capacity was further reduced through extensive removals of plant and equipment, and of communication facilities.[1] Another heavy blow was dealt the Austrian economy when the country was divided into four occupation zones, and the flow of goods between the eastern and western zones cut off. Throughout 1945, only a small fraction of the remaining industrial capacity was in actual pro-

* The statements contained in this article represent the personal opinions of the writer and do not necessarily reflect the views of the institution with which he is connected.

[1] For details on net industrial losses during the war, see J. Steindl, "The Economic Position of Austria", *Bulletin of the Oxford University Institute of Statistics*, January 1947; also United Nations Relief and Rehabilitation Administration, *Economic Recovery in the Countries Assisted by UNRRA* (Washington, September 1946), p. 151.

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duction, and agricultural crops in that year were less than 50 per cent of pre-war harvests.[2]

The rebirth of Austria, moreover, was attended by occupation armies with voracious appetites for goods and services of many sorts. Consequently a large portion of the output and inventories of industry was acquired or requisitioned by military authorities and personnel. Much productive effort was absorbed by repair of plant and equipment and of other damage sustained during the war, yielding no immediate return in the way of consumable goods. In 1945 the margin of production left for civilian consumption hardly sufficed to provide a bare subsistence level for the Austrian people.

Despite severe shortages and a sixfold expansion of the money supply during the period 1939 to 1945, the price, rationing and other quantitative regulations that survived the Nazi demise proved surprisingly effective except perhaps in eastern Austria where occupation army expenditures exerted a greater inflationary impact on the economy than in the western occupation zones, and where the administrative structure which was created during the war period had largely fallen apart. Price increases, however, during the latter part of 1945, as reflected by the official cost-of-living index, were on the order of only 10 per cent.[3] The lesson learned in post-war Austria, and under similar circumstances in some other European countries, notably Germany, is that, with shelves bare of all save the most essential supplies, price and other quantitative controls can be easily enforced, and that the test of these devices does not arrive until production recovers.

The relatively effective enforcement of these controls, together with the preëmption of a substantial fraction of the national product by occupation armies, necessarily meant that consumers saved an extraordinarily large portion of their income. These savings were entirely of the involuntary type because, in view of the low level of real national income and the vast accumulations of liquid reserves during the war, the normal propensity to save was probably zero. These unwelcome funds, moreover, were held ready to be spent at the

[2] *Monatsberichte des Oesterreichischen Instituts für Wirtschaftsforschung* (hereafter cited as *Monatsberichte*), Heft No. 1-6, 1946, p. 47.

[3] According to the index compiled by the Austrian Statistical Office.

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slightest provocation if goods became available and controls were to fail.

Additional ramifications of Austria's financial position in the summer of 1945 enter into focus, if we shift our attention to the aggregate size, composition and changes of the country's money stock. Austria inherited its full share of the excess-money legacy of Nazi war finance.[4] Moreover, an unusually large portion of the aggregate money supply may be assumed to have taken the form of bank notes, for it is a safe guess that in Austria the currency issue expanded during the closing months of the war at the same spectacular rate as in Germany as a whole.[5] Throughout 1945, Austria's money supply continued to increase further, fed primarily from two sources. Quantitatively more important was probably the influx over the inadequately guarded borders of Austria of reichsmarks held in neighboring countries.[6] Of greater monetary signifi-

[4] Currency holdings of the Austrian public at the time of liberation may be roughly estimated at 6 billion reichsmarks, and check deposits at approximately 8 billion. Sight liabilities of Reichsbank branches in Austria amounted to 2.3 billion reichsmarks. See Military Government, Austria, *Report of the United States Commissioner* (hereafter cited as *U. S. Commissioner Report*), January 1947, p. 149. These figures compare with a note circulation at the end of 1937 of 900 million schillings (600 million reichsmarks if converted at the 3 schilling = 2 reichsmark rate employed after the Anschluss for the conversion of Austrian into German currency), check deposit holdings of 1 billion schillings, and sight liabilities of the Austrian National Bank in the amount of 250 million schillings.

[5] Note circulation in Germany rose from 55.5 billion reichsmarks at the end of February 1945, to about 70 billions early in May. At the beginning of the war, it amounted to 11.3 billions. "Monetary and Financial Reform in Germany", *Monthly Review of Credit and Business Conditions*, Federal Reserve Bank of New York, September 1946.

[6] On the basis of figures for reichsmark currency paid to the Austrian National Bank prior to and during the currency conversion of December 1945, and assuming a circulation at the end of April 1945 of 6 billion reichsmarks, approximately 2 billion reichsmarks were brought into Austria by Austrians returning from Germany, by refugees ousted from Poland and Czechoslovakia, whose reichsmark holdings had been invalidated, by Germans passing through the country on their way home to Germany from Hungary and Yugoslavia, and by Russians on their way home from Germany. "Reconstruction in Austria", *The Economist*, December 1, 1945; also *Monatsberichte*, Heft No. 1/2, 1945, p. 1. On the other hand, as many as 400 million reichsmarks out of 545 millions seized by the Russians from the vaults of the Viennese banks, and later handed to the Austrian government, were never returned into circulation. *U. S. Commissioner Report*, February 1946, p. 9. Moreover, large amounts of reichsmarks were not converted at the time of the conversion, but were smuggled across the Austrian borders into Germany.

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cance were injections into the money flow of so-called Allied military schillings,[7] because they reached the Austrian public by way of actual expenditures by military authorities and Allied military personnel for goods and services.[8] But whether the Austrian money supply held in the form of currency amounted to six, eight or ten billion reichsmarks mattered little in an economy which, at the prevailing level of prices and business activity, needed a note circulation of perhaps 500 to 600 millions for actual transaction purposes, and, if operating at full capacity, would have required not more than 1 billion reichsmarks.[9]

While there appeared to be little danger, at least in the early months following liberation, of an immediate collapse of the legal price structure, the presence of vast and growing liquid reserves exerted, nevertheless, a disintegrating and deactivating impact on the Austrian economy. Manufacturers, even if in possession of raw-material stocks and other factors of production, saw not much sense in producing goods for sale in legal markets against money with which there was little to buy, and which was likely to depreciate. People disposing of large monetary reserves had little incentive to work at wage rates which added nothing to their

[7] These schillings were printed under the authority of the Combined Chiefs of Staff and introduced into Austria by the four occupying armies. Frank A. Southard, Jr., *The Finances of European Liberation* (New York, 1946), p. 37. In order to understand fully subsequent developments in the field of occupation cost policies in Austria, it is important to note that the plates used for the printing of these notes, unlike those used for the printing of military marks, were never handed to Soviet Russia. In addition to military schillings, American troops entering Austria from Germany introduced military marks; in Austria these marks lost legal-tender quality on September 11, 1945.

[8] Some idea of the aggregate expenditures of Allied military schillings by the occupation authorities can be gained from the fact that prior to and during the currency conversion of December 1945 the Austrian public deposited a total of 1 billion military schillings. *Mitteilungen des Direktoriums der Oesterreichischen Nationalbank*, No. 1, October 15, 1946, p. 7. This figure, however, does not reflect the total outlay by the four Allies. In the first place, substantially more than 300 million military schillings were acquired in 1945 by American and British personnel through sales of goods, and subsequently were employed for the acquisition of dollar and pound instruments. (See on this *infra*, p. 110.) Secondly, substantial quantities of goods were never paid for by some of the military authorities.

[9] According to estimates of the Austrian Institute for Economic Research. Oesterreichisches Institut für Wirtschaftsforschung, 1. Sonderheft 1945, "Gedanken zur Neuordnung der Oesterreichischen Wirtschaft", p. 6.

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purchasing power in real terms, and merely left them with so much more unusable money titles. Reluctance on the part of farmers to add to their huge money holdings induced them to engage in clandestine barter transactions which had become not uncommon during the closing stages of the war, and were beginning to weaken seriously allocation controls. The problem of obtaining even moderate savings of a spontaneous character proved insoluble so long as the money surfeit remained high in relation to current money income and well distributed throughout the economy. The excess-money heritage of the Nazi Reich, swelled by further additions from the spending by occupation authorities and the influx of reichsmarks from neighboring countries, had thus become an important drag on the recovery of the Austrian economy and one of the primary obstacles to the government's plans for economic reconstruction.

B. *Monetary-Reform Measures*

The removal of the money surfeit, the restoration to the economic life of those incentives which are the prerequisites of an integrating exchange economy, the stoppage of the reichsmark inflow, and the reconstitution of an independent monetary system in Austria were the principal monetary policy objectives of the Provisional Government, set up in April 1945 in Vienna under Soviet tutelage, but recognized in December by all nations represented in the Allied Council. The first step in the direction of these goals was made when the government decreed on July 3, 1945 the reëstablishment of the National Bank of Austria and adopted the Law for the Resumption of Payments by Credit Institutions (the so-called *Schaltergesetz*).[10] This law, which was applicable only in the Soviet zone, authorized the closed banks in that area to reopen, but at the same time blocked a large part of their deposits.[11] Simul-

[10] *Staatsgesetzblatt für die Republik Oesterreich*, No. 45/1945, also amendments to this law in No. 91 and No. 107/45.

[11] In essence, the law as amended provided that preliberation deposits might be withdrawn in cash up to 150 reichsmarks per month by persons without funds or unable to work. In addition, cash withdrawals up to 40 per cent of the preliberation balance were permitted for the purpose of making certain specified types of payments. "Currency Reform in Eastern Europe", *Monthly Review of Credit and Business Conditions*, Federal Reserve Bank of New York, May 1946.

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taneously, the government requested the public to deposit its currency accumulations with the banks, holding out the promise of tax amnesty, free withdrawals of banked currency at any time, and preferred treatment in any future monetary reform.[12]

The *Schaltergesetz,* while instrumental in making a part of the money holdings in the Soviet occupation zone unspendable or more resistant to spending pressures, did nothing to sever Austria's monetary system from that of Germany. Moreover, it did not affect people in the three western zones who remained in full possession of their liquid funds. With a view to arresting the reichsmark inflow, and to preventing the spending of such funds, the Provisional Government worked out, in the summer of 1945, a comprehensive currency-reform bill providing for the conversion of reichsmarks into limited amounts of Allied military schillings.[13] This operation was to be followed by another conversion into national schillings. When this bill was submitted to the Allied Council in September, it was approved by the representatives of all four occupation Powers,[14] but subsequently it was rejected by the Russian member of the Council.[15] The government then designed a new monetary-reform bill which, after sanction by the Allied Council, became law on November 30, 1945.

[12] *Monatsberichte,* Heft. No. 1/2, 1945, p. 7. In response to these exhortations, and in anticipation of a general conversion, the Austrian public deposited in bank accounts, during the period July to November 1945, more than 3 billion reichsmarks and Allied military schillings, that is, approximately one half of its currency holdings at the time of liberation. W. Swoboda, "Waehrungspolitik im Dilemma", *Der Oesterreichische Volkswirt,* No. 22, September 1946.

[13] Similar plans had been devised by American and British experts. Some of these experts had, in fact, favored the introduction of Allied military marks into Austria, saving the Allied military schillings for the conversion operation. Southard, *op. cit.,* p. 38.

[14] *The Times,* London, October 16, 1945.

[15] *Ibid.,* October 11 and November 24, 1945. The Russian member argued that a country soon to be fully independent, such as Austria, should use its own national currency rather than military money. According to informed opinion in Vienna, the Soviet opposition was, in part, based on the fear that the conversion of reichsmarks into currency printed and controlled by Britain and the United States would have weakened Russian influence in Austria. This explanation was, for instance, suggested by the *Neue Zürcher Zeitung,* November 28, 1945. Whatever the reason for the rejection, the long interval between Austria's liberation and final sanction by the Allied Council of a new monetary-reform law added considerably to the magnitude of the country's monetary problems.

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The new law, known as the "schilling law", deprived all banknotes in denominations of over 5 reichsmarks or 5 military schillings of their legal-tender quality, and provided for their conversion, subject to stringent limitations, into new schilling notes of the Austrian National Bank, and for the partial blocking in bank accounts of the part not converted.[16] The law also called for the partial blocking of existing bank balances, both of those of the public and of those held by the banks with the National Bank, the stringency of the blocking provisions depending largely upon the time period of the original deposit.[17] In principle 60 per cent of each bank deposit was blocked, while the remainder could be withdrawn or transferred to a third account under specified conditions.[18]

The impact of the conversion-blocking operation on the

[16] *Staatsgesetzblatt für die Republik Oesterreich*, No, 231/1945, and amendment in *Bundesgesetzblatt* (hereafter cited as *BGBL*), No. 1/1945. Each person was permitted to exchange no more than the equivalent of 150 schillings (15 dollars at the unofficial exchange rate), the remainder being blocked in bank accounts. Corporations and other legal entities received no immediate allocations of new schillings, but their blocked deposits were subject to more liberal withdrawal provisions than those belonging to natural persons.

[17] In the areas where the *Schaltergesetz* had been applicable, different withdrawal restrictions applied for deposits made before liberation and those made during the period between liberation and November 30, 1945. In the remaining areas, all bank accounts were divided into two parts: 30 per cent of the credit balance existing on November 30 was transferred to a new account which became subject to the same liberal withdrawal privileges as were applied in the *Schaltergesetz* area to funds deposited after liberation; the remaining 70 per cent was treated like preliberation deposits elsewhere in Austria. (See Article 20 of schilling law.)

[18] See *Konten-Erlass 1945*, issued by the Austrian Finance Ministry on December 18, 1945. Bank accounts in Austria were divided into six different types, each with different possibilities of disposal. The confusing complexity of the schilling-law provisions has been severely criticized in Austria. It added heavily to the administrative work of the under-staffed Austrian banking system. Strong criticism was also leveled against the law for the reason that it defaulted on the promise, implicit in the *Schaltergesetz*, of free disposal over funds deposited since liberation. The law was further criticized for the reason that it was announced two weeks prior to the beginning of the actual conversion period. Immediately upon announcement, very substantial price increases occurred. Disturbances to the economic life of Austria were also caused by the fact that small-denomination notes were not affected by the law. Widespread hoarding of such notes led to their virtual disappearance and to the emergence of a dual price system, one for payment in small-denomination notes, and the other for payment in notes about to be withdrawn. These disturbances were only partly alleviated by the issuance in Vienna of emergency small-denomination currency.

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Austrian economy does not admit of accurate measurement.[19] But available statistical information on the country's money supply indicates that the operation, though substantially reducing currency circulation and freely disposable bank deposits,[20] sterilized primarily funds which were held idle anyhow and left the public with money holdings far in excess of those required for immediate and short-term transaction purposes. Nevertheless, there is little doubt that Austria's monetary reform had significant preventative and ameliorative effects. In the first place, the operation fulfilled its purpose of stopping the continuous inflow of reichsmarks into Austria, and marked the end of the issue of Allied military schillings.[21] It strengthened the public's waning faith in the future worth of its money and thus increased its willingness to hold cash balances. While the reform failed to induce any spontaneous saving—an objective practically impossible to achieve so long as the national product hardly exceeded minimum subsistence levels—it tended to keep the absolute amount and rate of dissaving much below the point it would otherwise have reached. Spending in black markets, to the extent that it was fed from accumulated liquid reserves, was, therefore, substantially reduced. By blocking part of the liquidity reserves of Austria's banking system, and by vesting in the bank of issue the right to release these reserves from blocking restrictions, the schilling

[19] This is so because the effect of changes in supply, even if they were known, cannot be isolated from that of monetary forces; moreover, the obvious basis of comparison, price levels before and after the conversion, is inadequate since preconversion quotations reflect, to a considerable extent, the public's anticipation of a conversion-blocking operation, rather than more basic forces. The severe drop of black market prices for United States dollar bills, from 450 reichsmarks at the time of liberation, to 260 reichsmarks at the end of October 1945, and to 140 schillings on January 5 (see U. S. *Commissioner Report*, January 1946, p. 101), cannot be traced solely to the monetary reform, though it was certainly an important contributory factor.

[20] Currency held by the Austrian public dropped from an estimated 5.5 billion reichsmarks and Allied military schillings on November 30 to 1.9 billion national schillings and small-denomination currency at the end of December. At that time, 8.7 billions were lodged in blocked savings and checking accounts, but approximately 7.2 billions were more or less freely disposable.

[21] Importation of small-denomination marks continued on a small scale until their conversion into Allied military schillings issued especially for this purpose in February-March 1946.

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law restored to the Austrian National Bank an important measure of credit control. The blocking of liquid holdings, moreover, induced manufacturers to sell for cash and accelerated the return to work of large numbers of people who had suddenly become dependent on current earnings to meet their living costs.[22]

II. *Monetary Expansion and Income Redistribution*

A. *Occupation Cost Spending and Its Offsets*

With the monetary overhang substantially reduced, the question as to whether existing controls would be strong enough to guarantee Austria a measure of financial stability came to depend largely on a reduction of occupation army spending. Since the conversion-blocking, the only available measure of its magnitude was the amount of schilling payments to the occupation Powers by the Austrian National Bank, but in any evaluation of these figures, consideration must be given to the fact that the occupation authorities actually spent only part of the schillings allocated to them. During the period from December 13, 1945 (the first day of issue of the new schilling) to December 31, 1946, cash payments by the National Bank to the occupation authorities added 2,792 million schillings to the money supply, including 1.5 billion schillings issued in December 1945 primarily for the purpose of converting funds held by the four armies. These figures become meaningful if we compare them with income tax revenues in 1946 which run in the neighborhood of 600 million schillings, or estimated net budget expenditures in the same year of 2.6 billion schillings.[23] Occupation cost spending during 1946, whatever its exact size, greatly weakened the contractionist effects of the monetary reform. It added to the monetary overhang which survived the blocking operation and was in no small measure responsible for the reëmergence of all the familiar symptoms of suppressed inflation.

[22] For a more comprehensive survey of the impact of monetary-reform measures see Fred H. Klopstock, "Monetary Reform in Liberated Europe", *American Economic Review*, September 1946.

[23] This estimate includes the net deficit of federal enterprises, and monopolies and the government-owned railroads, but not their gross expenditures.

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TABLE I

SCHILLING PAYMENTS OF NATIONAL BANK TO OCCUPATION AUTHORITIES [a]

December 1945-September 1947

(in millions of schillings)

Allocation Period	Allocation to the Soviet Element	Aggregate Allocation to British, French & U. S. Elements	Grand total
Dec. 13, 1945-Jan. 12, 1946	900	600	1,500
Jan. 13-Feb. 11, 1946	315	165	480
Feb. 12-June 30, 1946	220	180	400
July 1-Sept. 30, 1946	112.5	112.5	225
Oct. 1-Dec. 31, 1946	112	75	187
Jan. 1-Mar. 31, 1947	40	91	131
Apr. 1-June 30, 1947	50	54[b]	104[b]
July 1-Sept. 30, 1947	30	60[b]	90[b]

[a] If we wish to measure the total increase of the money supply on account of occupation costs, we must add the one billion Allied military schillings deposited with the banking system during the period between liberation and the end of the currency conversion.

[b] Figure does not include allocation to U. S. Element, since it did not draw its quota.

Aggregate schilling allocations to the occupation Powers have, however, been persistently reduced, as can be seen in Table I, until in the fall of 1947 they amounted to little more than 10 per cent of the gross budget expenditures of the Austrian Federation.[24]

[24] The drain on Austrian resources through occupation cost expenditures would probably have been much larger, had not the United States Commissioner, General Mark W. Clark, and his financial advisor and United States representative in the Quadripartite Finance Committee, Lt. Col. Arthur W. Marget, late of the University of Minnesota, insisted on vesting in the Allied Council control over schilling allocations to the occupation Powers, and then bent every effort to press for substantial reduction of these allocations. The Allied Council agreement (of November 16, 1945), approving the schilling law, provided that the distribution of Austrian national currency among the four occupation forces should be determined by the commanders-in-chief. In view of this, the Austrian government was able to reject unilateral Russian demands, made in January and February 1946, for payment of 300 million and 200 million schillings, respectively. *U. S. Commissioner Report*, February 1946, p. 8.

Another clause of the Allied Council agreement provided that the schilling advances of the Austrian government should be included in the Austrian budget. This clause became of controlling importance when the initial allocations of 1,980 million schillings for the period ending February 11, 1946 were used up. The question was then raised as to what amount of occupation costs the Austrian budget could bear. After long negotiations, the Allied Council, in May 1946, decided that occupation costs should be determined as a proportion of the federal budget for each quarter with retroactive effect to February 12, 1946. A figure of 35 per cent was

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In the summer of 1947 the occupation cost burden on the Austrian economy was substantially lightened as a result of an Austro-American agreement signed on June 21, 1947, under which the United States forces obligated themselves to pay in dollars for all schilling funds required for occupation cost expenditures. At the same time, the United States turned over to the Austrian government unspent schilling balances amounting to 308.4 million schillings in return for a commitment by the Austrian government to pay all outstanding claims against the United States military authorities.

In order to put the impact of occupation cost spending on the Austrian economy into proper perspective, due consideration must also be given to a number of balance-of-payments transactions which led to leakages from the income stream and thus offset the inflationary effects of purchases of goods and services by the military authorities. By far, the most important item of this kind was the delivery to the Austrian government of UNRRA goods. Their sale during 1946 and 1947 netted the government some 673 million schillings,[25] which, for the time being, were not re-spent, but lodged and immobilized in a special account.[26] Additional funds of unknown size were obtained by the government in 1947 and early 1948 through the sale of goods worth approximately 140 million dollars received by Austria under the United States post-UNRRA and interim relief program. The economic effect of these sales went of course far beyond the absorption of redundant purchasing power. Of at least equal importance was that UNRRA and post-UNRRA deliveries free of charge put the government

fixed for the period February 12, 1946 to June 30, based on an annual budget figure of 3 billion schillings. Subsequent allocations were scaled down to 30 per cent for the third quarter, to 25 per cent for the fourth quarter, and less than 15 per cent for 1947. See on this: *U. S. Commissioner Report*, December 1946, p. 6, and May 1946, p. 11; also "The Financial Administration of Austria", *Austria: A Monthly Report and Review*, Allied Commission for Austria (British Element), March 1947, p. 34.

[25] *New York Times*, December 23, 1947. By the end of November 1947, proceeds from sales of relief goods furnished by the United States amounted to 550 million schillings.

[26] In accordance with Article V of Agreement between the Austrian government and UNRRA. *BGBL*, No. 116/45. In 1948, 166 million schillings of this fund were scheduled to be spent primarily for rehabilitation purposes.

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in the position to sell food and other goods at ceiling rather than at world prices several times as high.

Another contribution of a similar nature was the delivery to the Austrian government of emergency food and fuel supplies by the United States and British military authorities. Of much greater monetary significance, however, though of less " generous " motivation, was the sale for profit of goods, chiefly cigarettes, by the United States and British military and civilian personnel who used the proceeds for the purchase of dollar and sterling remittances through their finance and post offices until this practice was stopped in the fall of 1946.[27] Austria also obtained some foreign assistance through credits for the purchase of raw materials, but the commercial import surplus in 1946 amounted to no more than 171 million schillings.[28] It should be borne in mind, however, that commercial trade in 1946 comprised only a fraction of the country's international transactions, as shown in Table II.

The figures indicate that Austria was able to pay through exports for no more than one fifth of its total import requirements. Four fifths of aggregate imports consisted of gifts, relief shipments, and deliveries on credit granted by the United States and British governments. Preliminary statistics for 1947 show that foreign aid to Austria has been increasing rather than diminishing. While no exact calculation is possible, actual expenditures of the four occupation Powers in 1946 and 1947 may not have exceeded by more than 600 million schillings the proceeds from the sale in Austria of United States, British and UNRRA supplies during the same period.

B. *The Rôle of Monetary and Fiscal Policy*

Occupation cost outlay, of substantially more than 1 billion schillings in 1945, and of perhaps 1.7 billion in 1946, even

[27] Some indication of the size of this offset to aggregate occupation cost outlay is the fact that in 1945 more than 200 million Allied military schillings in excess of amounts put in circulation by the United States forces in Austria were returned to finance officers. *U. S. Commissioner Report*, March 1946, p. 134. Sterling purchased with Austrian currency amounted to about 207 million schillings. *Second Report from The House of Commons Committee of Public Accounts*, Session 1946-47, London, June 11, 1947.

[28] *Austria: A Monthly Report and Review*, September 1947.

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TABLE II

AUSTRIA'S BALANCE OF PAYMENTS, 1946

(In millions of dollars)

Payments		Receipts	
A. For goods and services		A. For goods and services	
1. Imports of goods[a]	175	1. Exports of goods[b]	23
		2. Exports of power	6
		3. Freight charges	1
B. Short-term capital movements (net)	2	B. Unilateral transfers	
		1. U. S. and British armies	35
		2. UNRRA	91
		3. Other relief	10
		4. Personal remittances ...	1
C. Errors and omissions	2	C. Long-term capital movements[c]	12
Total	179		179

[a] Includes commercial imports, imports of United States and British army supplies distributed to the civilian population, UNRRA and relief shipments by charitable organizations and private individuals.

[b] Including sales to United States Army exchange service but excluding goods produced in Soviet-controlled enterprises and declared as "military shipments" by Soviet authorities.

[c] Includes used portion of United States Army surplus credit (2 million dollars) and credit for German coal deliveries granted by U. S.-U. K. zonal authorities.

though offset in part by Allied contributions of food and other essentials, left the Austrian government with no choice but to pursue a conservative and restrictive fiscal policy if it wished to avoid contributing to inflationary pressures. The Treasury Department succeeded in retaining, until late in 1946, practically all of the stringent wartime taxes of the German Reich and refused to bid up scarce resources in competition with the public. Its 1945 budget deficit, incurred in the Russian zone, amounted to no more than 134 million reichsmarks,[29] evidently financed partly out of cash reserves, and partly out of Russian reichsmark credits.[30]

[29] G. E. Zimmermann, "Der Oesterreichische Staatshaushalt im Jahre 1945", *Wiener Zeitung*, March 24, 1946; see also *Neue Zürcher Zeitung*, April 7, 1946. In the non-Russian zones various state and local agencies administered their financial affairs under the supervision of the finance divisions of their respective military governments. On January 1, 1946 the Ministry of Finance assumed control over the federal finances throughout Austria. Carl Hudeczek, *Die Oesterreichische Volkswirtschaft und ihr Wiederaufbau* (Wien, 1946), p. 175.

[30] These credits, amounting to approximately 200 million reichsmarks, were paid out of cash holdings of the Soviet military government and orginated, according to General Clark's report for July 1946, p. 8, chiefly from the reichsmark reserves of the Vienna banks.

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The 1946 budget proposal foresaw a deficit of almost 600 million schillings,[31] but the actual excess of expenditures over receipts was much smaller, as shown in Table III.[32]

TABLE III

THE AUSTRIAN BUDGET [a]

(in millions of schillings)

	Provisional result 1946	Estimate 1947 [b]	Estimate 1948
Ordinary Budget			
Personnel Expenditures	1,263.2	1,312.9	5,293.0
Non-personnel Expenditures ..	1,202.7	1,674.2	
Extraordinary Budget (including investments)	417.1	527.8	598.4
Total Expenditures	2,883.0	3,514.9	5,891.4
Total Receipts	2,693.3	2,987.4	5,294.0
Deficit	189.7	527.5	597.4

[a] The schilling payments to the occupation authorities by the National Bank on behalf of the government are not included in the budget figures.

[b] Final figures for 1947 will be substantially changed as a result of considerably higher receipts and expenditures following adoption of the price-wage agreement of July 1947. (See *infra*, p. 121.)

Preliminary results for 1947 show a negligible deficit. To no little extent this relatively favorable budget performance reflected the slow pace of the government's reconstruction effort. According to Allied experts, the government could have even achieved a surplus if it had fully utilized all possibilities of economy.[33] Moreover, the government, largely under union pressure, granted a substantial measure of relief to large groups of Austrian taxpayers when it adopted the Tax Modification Act of September 1946,[34] and the Income

[31] *Bundesfinanzgesetz für das Jahr 1946* (Wien, 1946), p. 3. The schilling payments to the occupation authorities by the National Bank on behalf of the government are not included in this deficit.

[32] *U. S. Commissioner Report*, May 1947, p. 149.

[33] Among the shortcomings of the budget to which the occupying Powers took exception were the excess personnel in the civil services, overly large grants-in-aid to the provinces, and particularly the heavy pension payments which, to the extent that the pensioners were able to work, discouraged participation in the reconstruction effort. *U. S. Commissioner Report*, April 1946, p. 158, and December 1946, p. 148. In 1947 the payments to pensioners of the federation and of the federal enterprises were estimated to amount to 440.7 million schillings or 13 per cent of aggregate expenditures. The number of pensioners was scheduled at 190,000 (as many as 64,000 under 60 years of age), which compares with 176,000 officials in active service. *Erläuterungen zum Bundesfinanzgesetz 1947* (Wien, 1947), pp. 66-69.

[34] *BGBL*, No. 171/46.

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(Wage Tax) Amendment Act of October of the same year.[35] These laws reduced the tax liabilities not only of the lowest income brackets but also of medium income groups whose earnings exceeded substantially the value of goods available against ration cards. Tax legislation in 1946 served to increase spending in free and illegal markets and may have been motivated partly by the desire of labor to obtain additional funds for spending in such markets. Another reduction of the income tax was adopted in July 1947, following a substantial wage increase in line with measures which brought the Austrian price and wage structure closer to world levels.

The most that can be said of Austrian fiscal policy in the early post-liberation period is that it did not aggravate to any considerable extent existing monetary pressures. There are few countries in Europe of which the same can be said. Monetary policy is hardly deserving of more " praise " but, after resorting to the bold conversion-blocking move, its potentialities were quite limited. The Austrian banking system, subject to persistent cash drains, and with its principal assets consisting of practically worthless German government bonds, deposits with German credit institutions, and blocked balances with the National Bank,[36] was not a suitable medium through which to influence business and credit conditions. The government must be credited, however, with one major effort to exert a contractionist influence on the banking system. In the winter of 1946 and in the spring of 1947 it mopped up free bank balances held with the Austrian National Bank by placing with the banks Treasury bills aggregating 943 million schillings, an amount equal to that turned over by the National Bank to the occupation Powers during the period February 12, 1946 to March 31, 1947. The proceeds of this sale were used to reduce the government's debt to the National Bank. In this

[35] *BGBL*, No. 203/46. One of the purposes of this bill was to prevent wage increases from being partly absorbed by the highly progressive rates of the Austrian income tax schedule. Without tax relief, wage rises equal to rises in living costs still would have left the workers with less real income than before.

[36] The banking system held approximately 6 billion reichsmarks' worth of German government bonds, 1.2 billions of deposits with German banks, and another 400 million reichsmarks of miscellaneous claims. *U. S. Commissioner Report*, January 1947, p. 151. Because of the absence of any considerable amount of interest-earning assets, the Austrian banks were freed from the obligation to pay interest on customer deposits. *BGBL*, No. 37 and No. 87/1946.

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manner, the government offset the increase in the volume of central bank money due to its occupation cost financing. With business activity at a low level, however, and the credit requirements of industry and trade negligible, the reduction of the liquidity reserves of the banking system could hardly influence aggregate business expenditures.[37] Whatever restrictive effect this operation may have had on the volume of money was more than offset by the deblocking of frozen bank deposits under the exemption clauses of the schilling law. According to informed opinion, the free-money supply was augmented on this count to the extent of more than 600 million schillings until this attrition of frozen funds was somewhat slowed down in the spring of 1947.[38] Considerable criticism was leveled at the government for its unduly liberal interpretation of the deblocking provisions and for its failure to eliminate most or all of the blocked balances immediately upon completion of the conversion-blocking operation of December 1945 when public opinion was psychologically prepared for such drastic action. The following table reveals the expansion and changes in the composition of the Austrian money supply in 1946 and 1947.

TABLE IV
CURRENCY AND BANK DEPOSITS
(in millions of schillings)

	Currency in circulation	Bank deposits			
		Check		Savings	
		Free	Blocked	Free	Blocked
1946					
May	4.7	3.6	2.6	3.9	6.3
September	5.1	4.0	2.3	3.7	6.2
December	5.7	4.2	2.1	3.4	6.2
1947					
March ...	5.9	4.1	2.0	3.2	6.2
June	5.5	4.7	1.9	2.9	6.1
September	6.1 [a]	4.5	1.9	2.7	6.1

[a] The increase in the note circulation reflects larger cash requirements resulting from the rise of prices and wages in the fall of 1947.

[37] Significantly, the National Bank was forced to deblock 768 million schillings' worth of bank reserves during the period October 7, 1946 to September 30, 1947, in order to put banks back in funds when currency withdrawals by their customers placed them in an uncomfortable reserve position. To the extent that funds of banks holding Treasury bills were unfrozen, the acquisition of such bills was actually financed out of reserves which had been blocked under the schilling law.

[38] Oesterreichisches Forschungsinstitut für Wirtschaft und Politik, *Berichte und Informationen* (cited hereafter as *Berichte und Informationen*), No. 48, March 28, 1947, p. 7; New York *Herald Tribune*, March 24, 1947.

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C. *Redistribution of Income and Wealth Through the Black Market Mechanism*

Monetary-fiscal policy in Austria, while not materially adding to inflationary pressures, did nothing to offset the impact of occupation cost spending. The whole onus of resisting the spending of free balances, and of the excess of money income over the value of available goods and services at legal prices, fell, therefore, on the price, rationing and allocation controls. This was too much a burden for the undermanned and untrained administration of the control authorities, and increasing amounts of rationed goods and surplus funds began to flow into black markets. What proportion of Austrian production was traded illegally in 1946 and 1947 it is impossible to estimate; but there is general agreement among close observers of the Austrian economy that it was considerable and that, in some lines, the volume of goods entering black markets exceeded by far that available through rationed channels. Whatever the exact share of illegal trading, the wholesale diversion of goods into black markets led to a wasteful and faulty utilization of Austrian resources and to undesirable and unjust changes in income distribution.

Broadly speaking, the black market in Austria served to bring forth the amount of savings that could not be forced from the public by existing rationing and allocation controls, but which had to be extracted somehow in order to offset the net injection of income on external account. Black market prices brought aggregate Austrian consumption into alignment with disposable resources by shifting income to groups which willingly or unwillingly saved a large part of their earnings.[39] The facts of recent Austrian experience clearly show how income, as well as material wealth, was shifted through black

[39] In addition to legal markets, in which goods were distributed under price, allocation and rationing regulations, and black markets, in which goods were sold in violation of such regulations, there were also free markets where goods were traded over which the government did not exercise any controls and "grey" markets where trading in disregard of governmental regulations was nevertheless tolerated, if not tacitly authorized, by the government. Free and grey markets served to absorb some of the excess income of the public. As prices in controlled and free markets rose and the monetary reserves of the lower income groups became exhausted, prices in black markets dropped during 1946 to a level 75 per cent below that of August 1945.

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market channels to high-saving groups. In order to examine this process, it is necessary to subdivide buyers and sellers in black markets according to their saving propensities.[40] There was, first, the broad mass of consumers who buy and sometimes sell in black markets in order to increase their consumption over the enforced level, conforming to which in Austria, at least in 1946, meant undernourishment and doing without the most basic essentials. On the whole, this group spent in black markets not only any income left over after the purchase of goods available in legal markets, but also its accumulated liquid reserves, to the extent that they were able to dispose of them under the schilling law. When these funds were exhausted, or approaching the exhaustion point, consumers began to sell various possessions, such as jewelry and other valuables, using the proceeds for the purchase of currently produced goods from black marketeers who in turn acquired such possessions because of their value as hoarding media. There was thus set into motion, through black market channels, a circular stream of money payments from consumers to black marketeers and back to consumers. At each turning point, the width of this stream changed, usually contracting when reaching black market sellers and expanding again when leaving consumers.

The two principal recipients of funds spent, as well as of goods sold, by consumers were farmers and black market traders. Farmers, unable to buy manufactures at authorized prices, sold food in black markets or bartered it against consumer goods. A substantial part of their profit was employed for black market purchases of manufactures, but their propensity to save was probably the highest among Austrian income groups, primarily because their needs for goods were less pressing than those of the hungry urban population. Moreover, since a measure of market control was maintained, farmers did not always easily find suitable investment outlets for their excess funds.

[40] For a comprehensive study of the Austrian black market, see *Austria: A Monthly Report and Review*, November 1946; *U. S. Commissioner Report*, August 1946, p. 145; Ruth L. Sivard, "Austria To-Day", *Dun's Review*, September 1947; Martin M. Rosen, "The Demand for Cigarettes in Austria", *The Southern Economic Journal*, October 1947.

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Among the groups who on balance saved a relatively large part of their income were also the professional traders out to amass new fortunes quickly, and, to a lesser extent, small-scale operators, who tried to augment their legal income by acting as intermediaries in occasional deals involving a few hundreds or thousands of schillings. Earnings of dealers in black markets were very high because profit margins, in the absence of organized markets and under a régime of clandestine trading, tended to be very generous. Black market income, moreover, was rarely declared to the revenue agent and thus escaped the steeply progressive rates of the tax schedule. Fear of the tax collector is also the reason why Austrian black marketeers held their unspent profits primarily in the form of currency.[41] Their willingness to hold large cash balances, therefore, was very much dependent upon whether a currency conversion was in the cards. Black market prices in Austria reflected this sensitiveness, and whenever rumors of such a conversion cropped up, prices rose sharply until they reached a level at which sellers were again willing to hold cash in preference to goods. Black market traders apparently re-spent a substantial portion of their earnings, but since reinvestment of their profits in plant and equipment, real estate, or speculative ventures was usually prevented by existing controls, a considerable part of their excess funds was used for the purchase of second-hand goods sold by consumers whose savings had been exhausted. Some of their profits were also used for nonessential consumption of goods bid away from uses of higher social priority. But there is little doubt that idle cash balances held by black market traders increased throughout 1946 and most of 1947.

There were several other important groups participating in black market trading, such as some of the military and civilian personnel of the occupation authorities, and a large number of manufacturers. But the main beneficiaries of the redistribution of income, via black market channels, were among the farmers

[41] The increase during 1946 in notes in circulation, including those issued to the occupation armies, from 3.3 to 5.7 billion schillings, may largely be explained by the preference of black market traders for notes relative to check deposits. "Geldhort neben Geldmangel", *Berichte und Informationen*, No. 20, September 13, 1946.

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and traders whose wealth greatly increased as they sucked up, in return for relatively small quantities of food and other essentials, first the liquid reserves and then the valuables of the workers and white-collar classes.

III. *The Completion of Monetary Reform*

Monetary reform, though usually discussed in terms of technical merit, administrative feasibility, and social equity, is essentially a political issue. Whether the money surfeit is gradually absorbed by rising prices, which would benefit entrepreneurial income, or whether it is sterilized by monetary measures, such as a conversion-blocking program, or removed by fiscal measures, such as a capital levy or forced loan, makes obviously all the difference to the actual owners of the money supply, to those who derive their income primarily from profits, and to those whose money income is relatively inflexible, such as pensioners and the "white-collar" class. Current discussions on monetary reform in many a European country must be viewed against this background. The refusal of Italy and France, for instance, to institute currency-reform programs along the lines of those enforced in most liberated countries of Europe must in part be traced to the political and economic power held by the peasant classes which were averse to measures with a contractionist bias. The transfer, through black market channels, of the liquid funds of the urban population to the politically powerful peasant and important sectors of the entrepreneurial class had significant monetary and fiscal policy implications also in Austria.

Technically and administratively, it greatly simplified any attempt to remove the newly created monetary overhang, since it was now located in a relatively small group and was held primarily in large currency hoards. The contractionist features of a monetary-reform program would have to apply merely to large holders of cash and yet would sharply reduce the money supply. Politically, however, the concentration of monetary wealth meant intensified opposition to all currency-reform measures other than those which would solve the problem of the removal of the monetary overhang in the most regressive manner, namely, by price increases.

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Perhaps the most striking demonstration of the political significance of monetary-reform measures in Austria occurred when the Ministry of Finance, in March 1947, attempted to obtain parliamentary sanction of a draft bill under which all remaining bank deposits blocked in December 1945 would have been transferred to the Treasury.[42] When put before the caucus of the powerful People's Party, representing primarily the population of agricultural areas and the middle classes, this bill, adoption of which would have meant a distinct easing of the monetary stabilization problem, was turned down flat.

The bill's rejection held out little promise for favorable action on more far-reaching monetary measures which were at that time under consideration on the technical level. The government, moreover, felt hesitant to adopt a monetary-reform program while implementation of its legislative measures under the Allied Control Agreement of June 1946 was subject to a delay of 31 days unless they were unanimously approved by the Allied Council. Unanimity, it was widely felt, could be purchased only at the price of preferential treatment for the large currency hoards held by the Soviet military government and the Administration of Soviet property in Austria. Under these circumstances, the government decided to rely primarily on controlled price and wage increases in its effort to absorb the money surfeit. This was a course of action advocated by many politically influential groups in the Austrian economy though strongly rejected by those alive to the threat of a price-wage spiral that had already been given several twists during 1946 and the first part of 1947,[43] as may be gathered from the following table.[44]

[42] For the contents of this bill, see *Berichte und Informationen*, No. 48, March 28, 1947; also *New York Times*, April 4, 1947; New York *Herald Tribune*, March 24, 1947.

[43] For an excellent discussion of the basic issues of price policy in Austria, see Dr. Franz Nemschak, *Hauptprobleme der Oesterreichischen Wirtschaftspolitik* (Wien, 1947). The policy of absorbing the money surfeit by controlled price and wage increases was strongly supported by important segments of the People's Party. It was also backed by the influential Austrian economist, Josef Dobretsberger. *Neues Oesterreich*, June 22, 1947.

[44] Compiled from *Monatsberichte*, November 30, 1947.

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COST OF LIVING, WAGES, AND BLACK MARKET PRICES IN VIENNA

	Cost of living	Wages net of income taxes	Black market prices for food
	(April 1945 = 100)		(August 1945 = 100)
1946			
April	113.4	114.7	75.6
July	121.6	129.4	50.0
October	134.6	137.6	25.6
1947			
January	145.2	163.8	26.4
April	166.2	174.1	22.5
July	260.5	209.5	24.1
October	350.4	305.1	26.8

The most significant move in the elimination of the monetary overhang through controlled price inflation took place in July 1947. At that time, the government, confronted with rapidly accelerating upward movements of the price and wage level, sponsored an agreement between the organizations of industry, commerce, agriculture and labor providing for an increase of prices as well as wages by 35 to 100 per cent to a level approximately 200 per cent over that prevailing in April 1945. The basic purpose of this agreement was to stabilize the prices of consumer goods purchased by the lower income groups at levels that would cover costs and to adjust wages and salaries to make them consistent with the new price levels. Manufacturers were authorized to increase their prices in order to cover higher fuel, electrical power, and labor costs. The agreement contained a commitment from labor organizations not to seek further wage increases for a period of three months beginning August 1, 1947.

The price-wage stabilization agreement brought the Austrian economy only momentary relief from the race between the cost of living and wages.[45] With a considerable though much re-

[45] On the whole, the agreement had attempted to reëstablish the price-wage relationship which prevailed in 1938. To be successful, it should have reflected the fact that labor productivity in Austria had dropped considerably, and that Austria was facing heavy reconstruction expenditures and was still exposed to a substantial drain of resources by the Russian military administration. An approach taking these factors into consideration was used with a considerable measure of success in Hungary, where the stabilization scheme of August 1946 was based on a price-wage and salary structure consistent with the proportion of national income available for consumption. Nicholas Kaldor, "The Hungarian Inflation", *The Manchester Guardian Weekly*, December 13, 1946.

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duced monetary overhang still present in the economy, prices of manufactures soon pushed through the levels anticipated at the time of the conclusion of the agreement. Price controls proved less effective than expected. As signs of a new upward sweep of prices multiplied, the government finally decided to heed the advice of those who had long been pressing for measures to contract the money supply.[46] Its law for the protection of the currency (*Währungsschutzgesetz*) as passed by the Parliament on November 19, 1947 against the votes of the insignificant Communist minority made use of the whole range of devices employed in monetary-reform measures of various European countries since 1944. All banknotes in circulation had to be exchanged at the rate of three to one, except for 150 schillings per person which could be exchanged on even terms. Provision was made for the elimination of more than 7 billion schillings' worth of deposits blocked by the schilling law and the compulsory conversion into 2 per cent government bonds of deposits aggregating about 2.3 billion schillings, the use of which had been restricted by that law. These bonds could be employed for payment of a capital levy and a capital increment levy to be imposed in 1948.[47] A large number of important exemptions served to avoid hardship cases and to make the law more acceptable to broad and influential groups in the Austrian

[46] Curiously enough, the Austrian government decided to take action at a time when an important segment of the business and banking community, including Austria's most prominent financial expert, Doctor Kienböck, the Advisor to the National Bank, felt that while the money supply was badly distributed, there was no longer any money surfeit in the economy and, therefore, no reason for a contraction of the money supply. This view, however, was not shared by Austria's leading economic research organization, the Austrian Institute for Economic Research. See *Wiener Kurier*, November 8, 1947, also *Die Presse* of the same date.

[47] Other clauses of the law provided for the blocking for six months of 25 per cent of free deposits in accounts exceeding 1,000 schillings; another 25 per cent were blocked for nine months. Bank deposits made after November 12, 1947, the day on which the contents of the law became known to a large group of persons, were treated like outstanding currency. Government deposits remained free to the extent of 50 per cent; 25 per cent was blocked for one year and another 25 per cent was wiped out.

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economy.[48] The funds mopped up by the law were to be used partly for reducing claims of the National Bank on the Austrian Treasury and partly for freeing the Austrian banking system of its German government bond holdings and claims on German credit institutions and its blocked balances with the bank of issue.

As had been anticipated, the Soviet member in the Allied Council made its approval of the law dependent on preferential treatment of the huge currency holdings of the Soviet occupation authorities. After protracted negotiations during which the Austrian economy was exposed to considerable disturbances, the Finance Ministry agreed to convert as much as 490 million schillings held by the Soviet Military Administration on a one to one basis.[49] On December 3, the Allied Council unanimously approved the law and one week later it entered into force. On December 24, 1947 all old schilling notes lost their legal-tender quality, and another phase of Austrian monetary history had ended.

By February 1948 Austria had gone a long way toward repairing the financial ravages of war and occupation. The monetary overhang had been removed, the occupation cost burden had become bearable, and the budget was not seriously out of balance. Production was steadily increasing, but aggregate output, even though the country's industrial plant and hydroelectric power resources had expanded during the war, remained substantially below the level reached in 1937. Severe

[48] For instance, internal revenue offices had to credit farmers an amount equal to the loss incurred through the exchange at the 3 to 1 rate of proceeds derived since July 15, 1947 from farm-produce deliveries to legal markets. In effect, this exemption meant that farmers could exchange such proceeds on even terms. Persons without adequate income were permitted to retain 2,500 to 3,500 schillings of the deposits blocked under the schilling law.

[49] In addition, the Russians insisted on being paid their third-quarter occupation cost allocation in new schillings. In return, the Soviet Military Administration formally renounced its claim for repayment of a 600 million reichsmark loan made in 1945, which came, however, almost entirely out of cash seized by the Russian Army from the vaults of Viennese banks. (See footnotes 6 and 30 *supra*.)

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shortages of fuel, food and rolling stock were retarding economic recovery. With the period of excessive liquidity a thing of the past, the struggle of various income groups for the inadequate national product promised to gain in intensity. New financial problems of considerable magnitude were likely to emerge as a larger proportion of current output was diverted to exports and capital investments for domestic reconstruction.

Austria's international position continued essentially unstable. The failure of the London Conference of the Council of Foreign Ministers to produce a state treaty had dashed Austrian hopes for an early withdrawal of occupation troops. The small country was still split in four occupation zones and a large number of Austria's most important enterprises seized by the Soviet Military Administration under its interpretation of the Potsdam reparation formula remained segregated from the rest of the country's economy.

For years to come, Austria appeared in need of generous aid. The government's balance-of-payments estimates for 1948 foresaw a deficit of 309 million dollars. The country's import needs for that year were put at 433 million dollars, including 160 million dollars for food. Exports were expected to yield no more than 124 million. Under the United States stopgap-aid law Austria was scheduled to receive substantial deliveries of food and raw materials, but further assistance was urgently required, lest the country's recovery suffer a severe setback. Austria had become the eastern outpost of the Western World and her political, no less than her economic, future remained closely bound to the will of the American people to guarantee her independence and integrity.

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WORLD WAR II: THE POST-MORTEM CONTINUES

MAN'S historical sense is often said to be one of the major characteristics distinguishing him from other species of life. Whether this be true or not, those same government agencies which have come to play so important a rôle in our whole life today reveal also a growing concern about recording their own experience. Something new has been added to the scope of administrative activity.

Shortly after Mr. Roosevelt was inaugurated in 1933, various persons interested in emergency administration discovered that there was almost no readily available information about the government's administrative experience during World War I, " the last major crisis ". The need for rectifying that omission in the then current experience attracted the attention of the Committee on Public Administration of the Social Science Research Council. When that committee obtained substantial financing, one of its first ventures was to " capture and record " the administrative experience of the new governmental programs, notably that of the National Recovery Administration, the Tennessee Valley Authority, the Social Security Board, and the Federal Works Program of 1935. The story of this effort is available in the final report of the Committee.[1]

As a direct consequence of that work the director of the Bureau of the Budget in March 1942 appointed the Committee on Records of War Administration to sponsor and stimulate the recording of administrative experience during the World War II " crisis ". A brief account of the work of this committee is to be found in the foreword and preface to the volume prepared by the Bureau of the Budget.

The stimulation by the Committee on Records of War Administration, on which a number of distinguished social scientists served, induced many different administrative agencies to prepare official histories of their experience during the war. Since the surrender of Japan a number of monographic studies have been made available to

[1] See William Anderson and John M. Gaus, *Research in Public Administration* (Chicago, 1945), Part I, " Report of the Committee on Public Administration of the Social Science Research Council, 1934-45 ", by William Anderson, pp. 12-27.

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the public. The three volumes, now before us, are the most substantial results of this effort thus far released.[2]

The published material about World War II may be broadly divided into four categories. In the first place, there are the official reports, of which perhaps the most notable to date are those by General Marshall, General Eisenhower, and Chairman Krug of the War Production Board. In the second place, there is a wealth of memoir and personal observation material. Some of this has been commented upon previously in this journal.[3] The publication of memoirs by Henry L. Stimson and Cordell Hull during 1948 will be important additional contributions of this type. In the third place, there are the unofficial "official" accounts, of which there are several examples. The State Department's arrangement which enabled Professor William L. Langer to prepare and publish *Our Vichy Gamble* has been much criticized in certain quarters. On the other hand, Professor Walter W. Wilcox, under the sponsorship of the Committee on War Studies of the Social Science Research Council, was given access to all the war records of the Bureau of Agricultural Economics, and thus enabled to prepare and publish *The Farmer in the Second World War*, a volume generally regarded as a useful addition to our information about the war. In this category too we ought to place the volumes on naval operations now coming from Professor Samuel E. Morison's pen, two of which have thus far appeared. In the fourth place, there are the official histories which have resulted from the work of the Committee on Records of War Administration.

[2] *The United States at War: Development and Administration of the War Program by the Federal Government.* Prepared under the auspices of the Committee of Records of War Administration by the War Records Section, Bureau of the Budget. Washington, U. S. Government Printing Office, 1947. xv, 555 pp. $1.00 (paper cover).

Industrial Mobilization for War: History of the War Production Board and Predecessor Agencies, 1940-1945. Vol. I: *Program and Administration.* Completed by the Policy Analysis and Records Branch, Bureau of Demobilization, Civilian Production Administration. Washington, U. S. Government Printing Office, 1947. xviii, 1010 pp. $3.75.

The U. S. Army in World War II. The Army Ground Forces. The Organization of Ground Combat Troops. By Kent Roberts Greenfield, Robert R. Palmer and Bell I. Wiley. Published by the Historical Division, Department of the Army. Washington, U. S. Government Printing Office, 1947. xi, 540 pp. $3.25.

[3] See John D. Millett, "World War II: The Post-Mortem Begins", 61 POLITICAL SCIENCE QUARTERLY (September 1946), p. 321.

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II

The three volumes published in 1947 vary greatly in their scope and contents. The volume prepared within the War Records Section of the Bureau of the Budget is intended to be a general summary of wartime administrative experience. It is comprehensive rather than detailed. It is especially useful in indicating the wide variety of tasks confronting the government during the war, and the administrative agencies which were created, modified and discarded in fulfilling these needs. By no means is the volume a mere administrative chronology or catalogue. Administrative experience is treated, as it should be, in the context of government problems and policies. Certainly the volume will be widely consulted as a general source book about federal government activities and agencies in World War II.

The volume about the War Production Board and its predecessor agencies was intended to be the first of three general studies about industrial mobilization. A second volume on the experience in government control of specified industrial materials and products and a third volume on industrial reconversion to civilian production were projected. Administrative and budgetary exigencies, however, have intervened. Volumes II and III will not be published, although we are assured that manuscript copies are available for reference purposes in a policy documentation file of the W.P.B. archives. Thus, Volume I must stand as the final official history of general industrial mobilization during World War II.

Here again the volume treats administration in the context of general industrial mobilization problems. In addition, the planning difficulties in determining the magnitude of the nation's economic effort are included as an essential part of the study. The treatment is chronological, with certain topics re-occurring from year to year. One third of the entire book deals with 1942 which is labeled " the crucial year ". The other years—1940, 1941, 1943, 1944 and 1945—receive less extensive discussion. Internal organization, relations with other agencies, program objectives, the control and distribution of raw materials, and manpower are common subjects throughout the entire volume.

The work published by the Historical Division of the Department of the Army is unique in several respects. It is the first in a projected series of volumes about the United States Army in World War II. Indeed, the number of volumes tentatively scheduled for completion and publication totals 99, according to a table included at the

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end. In addition, this is only the first of four volumes about the Army Ground Forces. Since happily it is freed from dependence upon Congressional appropriations, the Historical Division of the Department of the Army feels confident that it will be able to publish a large proportion of the volumes as now outlined. In consequence, the ground covered in this first volume is both detailed and, in large measure, technical. It consists of six separate studies which were prepared in the Historical Section of the Army Ground Forces, under the direction of Lieutenant Colonel Kent Roberts Greenfield, formerly Professor of History at Johns Hopkins and now Chief Historian of the Department of the Army. These studies concern the origins of the Army Ground Forces as an organizational entity in the War Department and some of the technical problems in organizing and training ground troops for combat.

It is impossible to discuss here in detail the contents of any of these three volumes. Rather, there are two issues raised by these volumes which would seem to deserve some attention.

III

However the kind may be identified, the historical projects of the federal government are now bearing fruit. Not only have extensive records and files been accumulated, but also a general description and interpretation of administrative experience are now being afforded.

The situation is very different from the relatively modest governmental excursion into history during World World I. The War Department at least accumulated a fairly sizable historical staff headed by Professor Robert M. Johnston of Harvard University. The work of this staff was more or less summarily halted when Secretary Newton D. Baker issued his famous memorandum of August 4, 1919. In this memorandum Secretary Baker declared:

> In a general way, it may be said that the writing of history is the interpretation of facts in accordance with a philosophy. Each historian has his own philosophy and his own method, and an official historian would be but one of many historians and yet his philosophy and method would be stamped with approval while the deductions, perhaps equally sound, of other scholars from the same facts would not be so approved. As a branch of the Government, the duty of the War Department is merely to present facts, that is, present records and to make them available to his-

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torical writers generally so that each historian who so desires may put his own interpretation upon the facts, unembarrassed by the existence of an official interpretation.[4]

Any attempt at preparing written narrative accounts of War Department experience ended with this declaration from the Secretary. Professor Johnston and his colleagues returned to their various academic posts. For twenty years a small historical unit attached to the Army War College proceeded to index the voluminous files returned from General Pershing's headquarters in France. The World War files of the War Department itself were ignored. There is no evidence that this indexing activity was ever particularly appreciated or that the files were ever extensively consulted by any American scholars.

This time, at any rate, those students of American history and administrative experience will have published volumes available to them. Indeed, the volumes themselves apparently will constitute the present-day "embarrassment of riches", to use words of Professor Schuyler.[5] American historians who for one reason or another shied away from the index and files of General Pershing's headquarters will now have the volumes of official histories which we may hope will be more generally consulted.

More than this, the reader of the three volumes which occasion these particular comments cannot fail but be impressed by the relative freedom of the authors in making their observations about persons and events. These volumes are no mere accumulation of official documents. They are narrative histories; they have points of view or interpretations. Yet at the same time they provide a wealth of factual data for any individual to use as he sees fit.

The reader is particularly impressed by the tone of the volume prepared on the program and administration of the War Production Board. The foreword mentions that an advisory council was appointed by W.P.B. Chairman Krug in November 1945 to review the preliminary draft of this study. This advisory council consisted of forty-eight top administrative officials, including William S. Knudsen, Donald M. Nelson, Charles E. Wilson, John Lord O'Brian, Sidney Hillman and Ferdinand Eberstadt. Such a review might easily have

[4] See Elizabeth B. Drewry, *Historical Units of Agencies of the First World War*, No. 4 of the Bulletins of the National Archives, July 1942, p. 11.

[5] See Robert Livingston Schuyler, "War and Historiography", in *Proceedings of the American Philosophical Society*, vol. 87 (January 1944), p. 142.

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reduced this volume to a meaningless conglomeration of platitudes. Decidedly this is not the case. To be sure, the members of the advisory council might have been appalled by the very size of the manuscript and have read even the parts directly affecting themselves indifferently. Yet the footnotes seem to indicate that most of these individuals prepared their own interpretations of events after the end of the war, which have been drawn upon extensively in the preparation of the final account.

Personality conflict has by no means been eliminated from the volume. For example, there is a three-page appreciation of the personality characteristics of Donald M. Nelson which can fairly be called objective, understanding and critical (pp. 208-211). It seems doubtful if any subsequent investigators will be able to improve upon this description.

Moreover, the volume on the War Production Board does not hesitate to recount bitter personal conflicts within the W.P.B. itself. Certainly many outsiders must have been confused by the sudden action of Nelson on February 16, 1943, in demanding the resignation of Ferdinand Eberstadt as Vice-Chairman. What is unquestionably the inside story of this action is told on pages 580-581. Byrnes, then Director of the Office of Economic Stabilization, had recommended to the President that Nelson be dismissed and his job be given to Baruch. When Nelson learned of this for the first time on the morning of February 16, he demanded Eberstadt's resignation and named Charles E. Wilson as Executive Vice-Chairman of the War Production Board, not because Eberstadt was directly involved in the cabal but in order to save his own position as chairman. Nelson thus demonstrated that he could act with dispatch and determination in settling a growing conflict within the W.P.B., while at the same time virtually turning the whole organization over to Wilson to run.

Even the volume prepared by Greenfield and his colleagues of the Army Ground Forces demonstrates this same objectivity in handling the personality elements of internal conflict. To be sure, the type of conflict is more limited in its range than that which occurred inside the W.P.B. But in the history of the General Headquarters there was one officer, duly designated by name, who wished to see GHQ become the War Department's top strategy-planning agency, while another officer, Mark Clark, wished to concentrate attention upon the training of combat troops. Circumstances as well as personalities resulted in General Clark's emphasis emerging as the primary mission of the Army Ground Forces when it was created in March 1942.

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There were subsequent conflicts about the size of the ground forces in contrast to the air forces and the service troops; there were conflicts about the rôle of the armored force and the use of the new types of weapons such as the tank destroyer. The most important conflict of all, the attempt to develop a doctrine of air-ground coöperation (" air support " was a proscribed phrase), is handled in a restrained manner, but it is handled just the same. More than this, Greenfield's work demonstrates that even in the more technical field of the development of tactical military doctrine and its application to troop training, the social scientist can make a contribution in carefully recording experience for future consultation.

In other words, it is no lily-white history that is now being offered us as official history. The authors need not be ashamed of their work and no reader need approach it with disdain or a sense of uselessness.

IV

Secretary Baker's stricture, however, was aimed at " the interpretation of facts in accordance with a philosophy." Certainly at least two of these volumes, the ones by the Bureau of the Budget and the War Production Board, are cases in point. Both display a decided antimilitary bias. At no point in either is there an objective, detailed analysis of the causes of the W.P.B.-Army conflict (the Navy seems generally to have been in the " me too " corner). And it seems not to have occurred to the authors of the Budget Bureau volume to inquire why the W.P.B. and the Army had such bitter disagreements, but apparently the other emergency agencies did not. At least in mentioning such vital organizations as the O.P.A., the War Food Administration, the Office of Defense Transportation, and the Petroleum Administration for War, no such conflict is reported.

The Budget Bureau volume's bias is so notable that it is well to cite testimony which surely cannot be accused of a *pro*-military point of view. Professor Lincoln Gordon of Harvard University served in the W.P.B. throughout the war, and was at the end a vice-chairman. Of chapter 5 he has written:

> The bias of the author of this chapter against the services, particularly the Army, manifests itself throughout. The friction between WPB and the services is one of the most regrettable features of our industrial mobilization experience. An objective analysis of its causes and possible remedies would be a most valuable contribution. No one would ask for that type of false

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> "objectivity" which consists merely of pointing out that there is much to be said on both sides. One can and must object, however, to a degree of bias which disregards the facts in order to find everything on one side.[6]

The volume prepared in the W.P.B. itself suffers from the same defect. Many illustrations might be cited. For example, the account speaks throughout of Nelson "delegating" procurement or production responsibility to the Armed Services (p. 508 has one such statement). Under long-standing federal laws the Army and Navy Departments were charged with purchasing all necessary military supplies. Unless evidence can be offered that the President in issuing Executive Order No. 9024 on January 16, 1942, intended to invoke his authority under the First War Powers Act of December 18, 1941, and did transfer the procurement authority of the two departments to the W.P.B., then surely it is incorrect to speak of any W.P.B. "delegation" to the Army and Navy.

Sometimes the W.P.B. volume goes out of its way to be almost insulting. Thus, in telling about the episode in 1942 when the W.P.B. sought to reduce the total size of Army and Navy procurement programs for 1943, General Somervell gets full credit for opposition. But when the denouement must be reported, the writers can only remark that "strangely enough" (p. 289) it was General Somervell who provided the answer. The authors admit that the general's proposal stopped the controversy "practically in mid-stride," and that it gave both sides what each wanted. But does General Somervell get any praise for devising the solution? No.

Yet if the price of "freedom" for official historians is stepping on somebody's toes with their interpretations, this reviewer will choose the toe-stepping. This seems preferable to the drier-than-desert-sand description of what an administrative order of a certain date said.

Moreover, there is no monopoly on official history in the federal government. No doubt in time the Army and Navy will tell their side of the story.

Indeed, perhaps the most encouraging fact about official history is that already there are three sizable volumes about which to comment. There will probably be more. President Roosevelt was often said to have had a philosophy of administrative competition, if not

[6] Lincoln Gordon, "An Official Appraisal of the War Economy and Its Administration", *The Review of Economic Statistics*, vol. XXIX (August 1947), p. 183.

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of actual conflict. This same competition in official histories is one of the assurances we have of *interpretations* instead of *an interpretation.*

V

As " contributions " the importance of these and similar volumes will depend eventually upon the use which is made of them; and this undoubtedly will depend in turn upon the inclinations of administrators and of historians who decide, in varying degrees of detail, to review these years. But these volumes defy ready identification as examples of either " present-mindedness " or " historical-mindedness " in their philosophy. These war histories do not necessarily throw light on our present post-war problems. Certainly, in the eyes of our legislators, the history of World War II is already " mere antiquarianism ".

The point of view in all these efforts must at least be given this crumb of comfort; it seeks to promote no "moral " for present or future application, to offer no " explanation " of our times or circumstances. They truly " capture and record ", if not the whole truth, then some part of that truth. They stand as guideposts to any who shall need them, for later action or later reconstruction of these turbulent years of the Republic. Let the future user then beware of the tint in his own glasses when he proceeds to decide their meaning.

JOHN D. MILLETT

COLUMBIA UNIVERSITY

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The Only Way: How Can the Germans be Cured? By KARL BARTH. New York, Philosophical Library, 1947.—vi, 122 pp. $2.00.

The Problem of Germany. By HOYT PRICE and CARL E. SCHORSKE. With an Introduction by Allen W. Dulles. "Studies in American Foreign Relations", No. 5, Percy W. Bidwell, editor. New York, Council on Foreign Relations, 1947.—xxv, 161 pp. $2.00.

The Solution of the German Problem. By WILHELM RÖPKE. Translated by E. W. Dickes. New York, G. P. Putnam's Sons, 1946, 1947.—xv, 282 pp. $3.00.

Here are three strikingly different efforts to define and offer solutions to the German problem. Dr. Barth, the Swiss theologian, emphasizes the question of guilt and the moral attitudes of vanquished and victor. Dr. Price deals with economic difficulties and programs. Professor Schorske analyzes political and cultural developments, and Dr. Röpke discusses all these subjects and more. Despite their dissimilar backgrounds and approaches, the authors are in general agreement on several major points: with a few notable exceptions, the German people are involved in varying degrees of war guilt; punishment should fit the crime, and be therapeutic and never vindictive; the German economy should be revived, within the European economy, and kept from autarky at however low a level; Prussian dominance should be eliminated, and political and cultural decentralization encouraged; democracy cannot be produced in Germany by fiat, but only through well-being and careful education.

To Dr. Barth the first requisite for reform of the German people is a *mea culpa* on their part. The fatal dualism of German thought, Christian in personal life and Bismarckian in public affairs, must be replaced with "Christian Realism". Following avowal of guilt, mature social action must supplant traditional German obedience to authority. The victors should employ local community activity to develop responsible citizenship among the Germans, and should offer them friendship. Friendship does not mean teaching, says Dr. Barth; it means being "unconditionally for" the Germans in their misery.

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Dr. Barth goes to the very heart of the problem in one sense, but in another sense evades every real issue. Any society ultimately rests on values and ethics, and he is right in preaching Christianity as the basis for German reform; but ethics and values were always favorite subjects of German thinkers at the higher theoretical level. Barth remains at this level, offering little guidance as to how the inward and external minds can be unified.

Dr. Price's study of the economic problem reaches the conclusion that the program best suited to Germany's and to Europe's needs is also best for future peace. Whatever the economic arrangements, the victors will have to be on guard against renewed German militarism. Economic policy should therefore be economically sound. Qualitative rather than quantitative limits should be set for German industrial output. With industry geared to export trade, agriculture turned from staples to dairying and quality crops, foreign trade conducted on a most-favored-nation basis, Germany will be so dependent on Europe that she will be in a poor position to make war. Integrate the German economy with Europe's, watch Germany carefully and employ every means to bring the Germans toward democracy comprise Dr. Price's program. His study was completed before Secretary Marshall's Harvard address, and before the military government orders of July 1947 (printed as an Appendix), but it constitutes an able brief for the general lines of the new American policy.

If the first part of this volume encourages a timid optimism, Professor Schorske's treatment of "Social and Cultural Aspects of the German Problem" quickly dispels it. Like Barth and Röpke he stresses the internalization of reason and freedom in German middle-class thought. Afraid of revolution, German liberalism accepted national unification under Prussia, and traded parliamentary government for prosperity and national glory. The rise of socialism further weakened the bourgeoisie's adherence to political democracy, and helped prepare them for Hitler's mixture of corporatism and authoritarian nationalism. The present situation is about as bad as it could be. The class antagonisms suppressed by Nazism have returned, intensified by war and poverty, and there are the new, disinherited ex-Nazis and expellees from the east. The new and restored political parties are held partly responsible by the people for their troubles. They are unable to join for practical action because they are split along ideological lines, and Allied policy has not increased their prestige or dispelled the view that party wrangling is inevitable in democracy.

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The universities, under men called from retirement and those who were discreet, are back at their old game of training specialists. They are contributing little to the development of a democratic point of view, and, with a few exceptions that relieve the bleakness of Schorske's pages, this is also true of the churches. Catholic fear of the Left has led to policies which, "although not proceeding from sympathy for Nazism, have tended to hearten the forces of a neo-fascist revival" (p. 117). "The dominant group in the Evangelical churches . . . has tended to return to its undemocratic nationalist tradition, and has become the most vocal element in German society in opposing de-Nazification measures" (p. 127). Intellectuals play with such ideas as "the power of the demonic" (p. 132), tragically reminiscent of earlier vagaries of German thought.

Professor Schorske's conclusion is not brightened by his pointing out the danger in splitting Germany permanently between east and west, or in depending too heavily on political decentralization. The states might become "the bastions of contending parties in the national political conflict" (p. 141). His hope lies only in four-Power agreement, for otherwise he fears the creation of two undemocratic Germanies.

This dark cloud is not lifted by Dr. Röpke's faith in his solution, based on the usual distinction between good and bad Germans. The good Germany was the loose, genial confederation, flowering toward the perfection of English liberalism, and it received its deathblow in Bismarck's triumph in 1866. The bad Germany was born in the Prussia of Frederick II and Bismarck, and both the Second and the Third Reich were Prussianized Germanies, led by the Junker, "the 'monocled peasant'". Prussianization was a process of seduction and rape. Liberals were seduced by Prussia's low tariff of 1818 and by the extension of the free-trade area through the *Zollverein* (which the reviewer regards as equally an expression of economic nationalism). The rape, of course, was perpetrated by Bismarck, whose greatness "consisted fundamentally . . . only in his ability to master . . . a hopelessly muddled situation of his own creation" (p. 154).

Evil as was Prussia, and good as was Germany, they had a great deal in common: "in not a few cases the 'Prussian' seems to us to be a mere exaggeration of the 'German'" (p. 152). And as to the German national character, Dr. Röpke properly laments the facile generalizations about the "arrogant, brutal, and at the same time sentimental and lachrymose . . ." German (p. 99); but then he supports almost every trite tag ever applied to them. Maurice Barrès

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was far less systematic. In their language, art, philosophy, behavior, the Germans are, says Dr. Röpke, florid, moody, Gothic, immoderate, thorough, pedantic, energetic, devoted, disciplined, stubborn, given to metaphysical excesses, sentimental and driven "to seek support and compensation in a *forced hardness, stolidity and coldness . . .*" (author's italics, p. 111).

This sad state rises from the stresses and troubles of German history, and particularly the wedding of romanticism and Lutheranism. Western romanticism was tempered with classical humanism: in Germany romanticism flared unbridled into turbulent nationalism. When morbid romanticism was blended with the dualism of Lutheran morality, inwardly governed by Christian ethics, externally by the will of the state, a dangerous collective morality resulted; and this became a foundation of Nazism when the brake of traditional Christianity weakened. Thus were good Germans Prussianized. The mold was completed by statist, monopolistic industrialization and a vast increase in population, "*a barbarian invasion from within the nation's own womb,*" that "arrived too quickly and in too great numbers to be culturally assimilated" into Goethe's Germany (author's italics, p. 171). All these historical factors led to Berchtesgaden, abetted by the blindness of the democracies.

Whatever one thinks of Dr. Röpke's analysis, his unintended indictment of the Germans as a nation of dangerous adolescents offers a poor basis for his particular solution; for this is essentially the establishment of a loosely federated Germany and of both laissez faire and laissez passer. Professor Schorske's warning aside, provincial loyalties were too weak to survive unification in the nineteenth century when cultural differences were far greater. Some decentralization is possible and desirable, but a vicious nationalism cannot be cured by fostering lesser nationalisms. It is even more difficult to catch the possible glint of reality in Dr. Röpke's plan for a revival of Manchester economics at a time when it is failing in its strongholds and in a place where it did not take hold during its greatest day. He says that only the market economy can bring revival, but German entrepreneurs were trained in a statist monopoly economy, according to his own analysis. He argues, like Dr. Price, that involvement in international trade is the way to the pacification of German industry, but he also claims that free trade will reduce the proportion of heavy to light industry. Many of the factors that made German heavy industry supreme in Europe in the past would, however, still be operative.

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Despite some valuable insights and criticisms of Allied policy, Dr. Röpke's book affords little help in finding a solution to the German problem, save in so far as it constitutes further evidence as to its nature.

EUGENE O. GOLOB

WESLEYAN UNIVERSITY

The European Cockpit. By WILLIAM HENRY CHAMBERLIN. New York, The Macmillan Company, 1947.—v, 330 pp. $4.00.

This book is the outgrowth of a four months' trip to Europe in 1946, in the course of which the author visited Great Britain, Germany, France, Italy, Austria, Switzerland and Belgium. What Mr. Chamberlin saw in Europe shocked and distressed him, and he has written a passionate and frequently eloquent account of his findings. The total effect of the book is, nevertheless, weakened by the author's inability always to keep his indignation under control.

The Europe which Mr. Chamberlin saw was a Europe sunk in misery, plagued by political dissension and oppressed by cultural and spiritual poverty. Only in Switzerland was there anything approaching a normal existence; only there did the author find freedom from "cruel crackpot fanaticisms". For the rest, Mr. Chamberlin was forced to the conclusion that "the world's worst war had been followed by the world's worst peace." The whole of eastern Europe had been handed over to totalitarian rule; Germany, shackled by the Potsdam Peace, was living a marginal existence with no forseeable future; and almost every other country in Europe was "a cockpit, an arena of struggle between Soviet and Western influence."

It is with this struggle that Mr. Chamberlin is primarily concerned in this volume, and in the sweep of Soviet expansionism he sees a force ominously similar to Hitler's drive for European domination. But the fact that Soviet Russia represents a threat to Europe today may be attributed, the author believes, to the failure of American wartime policy. It was American appeasement that handed Europe over to Russia.

As one reads Mr. Chamberlin's analysis of American diplomacy in the war years, however, one finds it less convincing than his systematic indictment of Russian expansionism. American policy during the war was, he says, "marked by continual improvisations; false estimates of men, motives and situations in the making; substitution of wishful hunches for sound analysis based on solid knowledge." Yet, in the course of a war, the solid knowledge which makes sound analysis pos-

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sible is not always at hand, and some measure of improvisation is always required. Mr. Chamberlin is particularly scathing in his description of the Yalta Agreement, yet he nowhere adequately discusses the military considerations in Mr. Roosevelt's mind at the time of the Crimean Conference. The concessions made to Russia at Yalta were perhaps unfortunate and they were certainly made reluctantly; but, as Mr. Byrnes has pointed out, Mr. Roosevelt had the Joint Chiefs of Staff with him, and they were urging him to pay any price for a Russian promise to enter the Japanese War. The fact that we are now inclined to regret Russia's Far Eastern intervention does not prove that Mr. Roosevelt's decision at Yalta was unsound.

Mr. Chamberlin is, however, unwilling to condone such concessions to the necessities of strategy. He is inclined, indeed, to believe that our wartime policy of softness toward Russia was influenced by Communist agents in high places. The question as to "how far certain government agencies were infiltrated with exponents of alien ideologies who used American resources to promote un-American objectives might well", he adds, "be examined by some suitable organ of Congress."

With reference to the present situation, Mr. Chamberlin sees only one solution. We must put the illusion of "one world" firmly behind us and substitute the reality of "two worlds". We must give up the policy of appeasement and demonstrate that "we have a better hand than Russia's in the game of international power politics." Meanwhile, the best solution for Europe would be a federation which would include Germany—a federation which would be a fourth world Power and "a buffer between the Western powers and the Soviet Union." Mr. Chamberlin does not make clear how this federation would be established or what its members would think of the rôle he has designed for them in international affairs.

GORDON A. CRAIG

PRINCETON UNIVERSITY

The Struggle for the World. By JAMES BURNHAM. New York, The John Day Company, Inc., 1947.—vii, 248 pp. $3.00.

This book is written in the conviction that "smaller, shorter and easier wars are, as a rule, better than bigger, longer and more difficult wars. And, if by 'winning a war' we mean the outcome most favorable to what we believe in, it seems better to win a war than to lose it." Given these basic principles and the further conviction that "the Third World War began in April, 1944", Mr. Burnham's logic

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is inescapable; it is imperatively necessary to defeat our enemy. As the author sees it, our enemy is communism.

With all the zeal of an apostate, Mr. Burnham denounces communism and all its works. To his way of thinking it is impossible for a free society long to exist anywhere in a world which is also inhabited by communism. The war he envisages, therefore, is that rarest of all phenomena, an ideological war.

Devoting an initial moan to "the low level of political knowledge in the United States", Mr. Burnham derides the notion of "one world" and insists that new weapons of warfare have reduced the list of "dynamic powers" to two, the United States and the Soviet Union. Since "the survival of Western Civilization, and perhaps mankind, depends upon the early establishment of a monopoly control over atomic weapons", only two solutions can be imagined. One is world government, which he dismisses as not yet feasible. The other is "world empire", the unchallenged predominance either of the United States or of the Soviet Union.

Mr. Burnham sketches a very dark picture of communism, illustrated, unfortunately, by conditions in Russia, where there is as yet no communism. He has his own definition of communism, however, as "a world-wide, conspiratorial movement for the conquest of a monopoly of power in the era of capitalist decline." It is with this conspiracy, at present in control of Russia, and with the best techniques of combating it that Mr. Burnham is concerned. To him Communists outside the Soviet Union are not serving the interests of Russia; rather, Soviet Russia exists to serve the interests of Communists everywhere. To him the state of affairs in Soviet Russia seems to bear only superficial relationship to Russia's past.

This is a book reflecting the personal reaction of a professor of philosophy to problems that have behind them a complex historical development. It is propped up with frequent citations from Arnold Toynbee's sociological *Study of History*, but there is no evidence that the author is acquainted with "the harsh, real world of history". Not that he is not convinced of his own "realism", a realism that convinces him that, "after a brief period of preparation", union of Great Britain and her dominions with the United States, if proposed by the President of the United States, "not for a dim and abstract future, but for right now", is possible. "Why should we believe that the offer would be, could be, rejected?" With the same "realism", he suggests that in 1940 Hitler lost his great chance by not taking France into a junior partnership. "It is hard to believe

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that France, already prepared psychologically, could have refused such an offer. . . . England's case for continuing the war would have collapsed." With the same "realism", he asserts that "the policy of democratic world order [that is, "world organization under United States leadership"] promises rapid and maximum results. . . .Within a week it is capable of transforming the world political situation."

The book is generously strewn with many acute and penetrating comments on the ways of the world. It contains also the germs of many undeveloped ideas. Indeed, the author has put into it everything but the kitchen sink; to drive home his points, he draws his analogies from all sorts of phenomena, such as chess, syphilis, indulgent mothers, and a squall.

JESSE D. CLARKSON

BROOKLYN COLLEGE

Report on the Germans. By W. L. WHITE. New York, Harcourt, Brace and Company, 1947.—260 pp. $3.00.

Son of the distinguished William Allen White, W. L. White cut his news teeth on his father's famous Emporia (Kansas) *Gazette.* Since then he has had a successful career in his own right and has added luster to a name already honored in American journalism. War correspondent for forty American dailies and CBS and author of four best sellers in a row, he attempts in this book to show how the Germans reacted when the war was going on, what they think today, and what they hope or fear in the future.

All the characteristics of the author's previous work are here—a fast-moving narrative style, interesting data, fascinating anecdotes. His purpose is to go behind the statistics and the arguments of the treaty-makers and to give us a picture of the Germans themselves. The method—old, tried and tested—is to allow the Germans to speak for themselves. Contemporary Germans are given carte blanche to give their side of the story: among them Albrecht Schultz, who studied in the United States and ended up in Goebbels' Propaganda Ministry; Friedrich Neumann, an unreconstructed German nationalist; Herman L., a dentist now practicing his profession after demobilization; Fräulein Dorothea Klein, a competent German newspaper woman; and others. Reporter White gives page after page of their testimony, just as it came from their lips. It is virtually the microphone technique applied to bookmaking. The author generally repeats simply what his witnesses have to say, though now and then

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he cannot stomach the bland misstatements of fact and adds a footnote beginning: "Not completely convincing." Along about page 200 Mr. White runs out of material and resorts to the expedient of adding a second major part to the book: "Wilson's Peace and Ours". It was not an altogether fortunate decision which led the author to stretch stale material, already handled capably in scores of other books, into the requisite 260 pages.

Mr. White is fascinated by percentages, which he works out in a kind of one-man poll. Thus, when visiting Germany in 1939 he learns that 100 per cent of all Germans were opposed to the Treaty of Versailles, that 90 per cent approved Hitler's domestic policies, and that at least 40 per cent of them staunchly opposed his foreign policy. His enthusiasm for percentages was apparently contagious. One of his informants, a Mrs. Sophie B., a Jewish woman who incredibly survived the entire war in Berlin, gave him some remarkable figures: in 1930 at least 70 per cent of the German people opposed Hitler's Jewish policy; in 1940 (big victories in Norway and France) the number dropped to 60 per cent; in 1942 (advances in Russia) it dropped to about 40 per cent; in 1943 (Germans realize that Hitler cannot produce victory) it returned to 50 per cent. All these figures are most impressive and probably true, although substantiation by Dr. Gallup's efficient organization might make them more acceptable.

The cantankerous reviewer might be inclined to object to Mr. White's scientifically inaccurate statement that "Harold Fishbein . . . is Jewish in race and Christian in religion" (p. 96). Journalists who, like Sigrid Arne, are convinced that the Germans will try it again, will not accept Mr. White's slightly exaggerated version of the Morgenthau plan as "the parched stubble of Mr. Morgenthau's goat-pasture" (p. 260).

Mr. White's report on the Germans gives the impression (and to the journalist these are fighting words) that he knew what he was going to find before he reached his destination and that all he needed was a supply of on-the-spot corroborations. This is indicated by the central thesis of the book and one which the author realizes is controversial—that the German people must be distinguished from the Nazis and that therefore we must avoid the error of treating Germany as a pariah nation. Granted that there are decent Germans, which almost no one denies, were the terrific damages inflicted upon Europe caused only by members of the Nazi party? The GI's who invaded Germany were astonished to find that millions of Nazis had vanished into thin air: it was always some other "guy" who was responsible

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for blood purges, hostage-shooting, ghastly booby traps, gas chambers, extermination ovens, and genocide. It is a simple statement of fact and not necessarily a plea for *revanche* to say that individuals and nations generally reap what they themselves have sown—which is a law of life.

LOUIS L. SNYDER

THE CITY COLLEGE OF NEW YORK

Russia's Postwar Economy. By HARRY SCHWARTZ. Syracuse, Syracuse University Press, 1947.—119 pp. $1.00.

This booklet covers a wide field. After a brief chapter on the effect of the war on the Russian economy, the author proceeds to describe post-war plans and developments in industry, transportation and agriculture; one chapter treats the manpower situation and is followed by a description of Russia's economic relations with the outside world. In the final chapter an attempt is made to compare Russia's prospective strength with that of the United States.

The publication doubtless will prove useful. The writer is an assiduous reader of current Russian newspapers and periodicals and has succeeded in presenting in succinct summary a very considerable amount of factual information, which the general reader should appreciate receiving in a condensed and well-arranged form. Dr. Schwartz supplies a great many quantitative data, and also fills some of the gaps in the official Russian statistics by estimates of his own. It is only regrettable that the author refrains from giving any indication as to how the individual estimates were formed or as to their degree of reliability. Since some of these estimates, particularly those of industrial output for 1945, are used as a basis for further computations, the failure to divulge their nature undoubtedly detracts from the value of the presentation. In this connection also the absence of footnote references may be noted. The list of sources given in the appendix is an inadequate substitute. In the field of Russian economic research, where information is often so widely scattered and so uncertain and ambiguous, it would seem especially important to provide the reader with opportunities for consulting the sources in each individual case.

In general, the strength of the study lies in the assemblage of facts rather than in their interpretation; the latter is frequently all too casual. In the chapter entitled "Catastrophe in Agriculture" Dr. Schwartz accepts the Soviet claims concerning the disastrous effect of the drought on the 1946 output of grains. A more probing

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analysis might have led to the conclusion that the official statements tended to exaggerate to some extent the shortfall in the harvest, particularly because the drought primarily affected the output of fodder grains, which are spring crops, and did not significantly diminish the output of bread grains which in the stricken area are largely cultivated as winter crops.

In speaking about Russia's foreign economic policies and the bilateral agreements concluded by the Soviets, Dr. Schwartz says, "In its trading activities the U.S.S.R. has markedly favored bilateral agreements between buyers and sellers in preference to free multilateral trading favored by the United States", and proceeds to state, "The Soviet preference for bilateral trading agreements probably stems from the relative ease of planning such balanced exchanges" (pp. 83-84). Generalizations of this sort are frequently made and have the ring of plausibility. Nevertheless, a scrutiny of Russia's trade figures in the thirties shows that trade under the First Five Year Plan was more multilateral than before World War I. The bilaterally compensable Russian trade was 68.3 per cent of the total in 1913, and fell to 55.7 in 1931. Indeed, this percentage rose to 69 in 1938, but on this level it was lower than the corresponding percentages of almost all the important trading countries in Europe.[1]

A word should be said on Dr. Schwartz's comparisons of the prospective Russian economic war potential with that of the United States. He comes to the conclusion that "Soviet military-economic strength . . . may within the lifetime of men now living exceed that of the United States, or of the United States and Western Europe if to Soviet resources are added those of its satellites in Eastern Europe and Asia" (p. 116). Dr. Schwartz arrives at this conclusion with the help of a few general remarks on the future course of Russian industrialization. He warns aganst the use, for the purpose of these comparisons, of "such crude indices as production of particular commodities" (p. 112) such as steel, but does not attempt to provide any other basis for comparison. In fact, he returns to such indices in referring to Stalin's statement concerning long-range goals for output of basic industrial materials. He fails, however, to mention in this connection that the rates of growth implied in Stalin's figures are very much below those attained by the Russians in the course of the thirties. Clearly this is a very complex problem requiring a great deal of study and research, including, among other

[1] Computations of bilaterally compensable trade have been made in accordance with the method used by the League of Nations; *cf.*, for example, League of Nations, *Review of World Trade 1935* (Geneva, 1936), p. 65.

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things, quantitative forecasts of the rate of industrial development in the respective countries. This reviewer cannot help questioning the propriety of presenting, on the basis of vague generalities, what is designed to look like answers to a most important question.

ALEXANDER GERSCHENKRON

WASHINGTON, D. C.

The Development of the Soviet Economic System: An Essay on the Experience of Planning in the U.S.S.R. By ALEXANDER BAYKOV. Cambridge, at the University Press; New York, The Macmillan Company, 1947.—xv, 514 pp. $6.00.

Dr. Alexander Baykov, lecturer in charge of the Department of Economics and Institutions of the U.S.S.R., University of Birmingham, was for years associated with Professor S. N. Prokopovich, one of Russia's leading economists, in editing the truly admirable *Bulletin* on Soviet economics which appeared (in Russian) in Prague until 1939. Familiarity with Soviet sources and the wealth of factual information characteristic of the *Bulletin* are much in evidence in Dr. Baykov's first independent major opus.

The Development of the Soviet Economic System, modestly described by the author as an " essay ", is a bulky, profusely documented treatise of over five hundred closely printed pages. The arrangement of the material is unpretentious but logical and effective. Dr. Baykov, following the familiar pattern, divides Soviet history into four periods—transition and War Communism, " restoration ", " extensive industrialization and collectivization ", and what he calls the " period of intensive endeavour to improve the country's economy and economic system "—and examines, through the successive historical stages, the evolution of industry, agriculture, labor, domestic and foreign trade, banking, money and finance. He defers the formal discussion of planning to the final chapter although frequent references to planned economy are made in the earlier sections of the book. This is a wise decision: familiarity with institutions and policies is essential to an understanding of the methods of Soviet planning.

Dr. Baykov's story, in spite of its excessive length and too close adherence to the awkward terminology of verbose decrees and resolutions, is probably the best and most comprehensive description of the growth of the Soviet economic system that has appeared in English. Unfortunately the critical approach based on a careful analysis of economic factors, which made so valuable the Prague *Bulletin* as well as Prokopovich's latest volume, *Russlands Volkswirtschaft unter den Sowjets* (Europa-Verlag, Zurich-New York, 1944), is much

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neglected. Dr. Baykov appears to accept as final official Soviet statements and explanations, and the few criticisms he ventures apply to the earlier period and are in line with the current Moscow doctrine.

The more exacting students of the Russian scene will miss in Dr. Baykov's study a careful evaluation of Soviet statistics of which he makes, perhaps, an excessive use. The real problem is not whether Soviet figures are or are not doctored, although some unquestionably are, but the withholding of some basic data and the irreconcilable contradictions between others emanating from equally authoritative sources. Dr. Baykov rightly notes that "unfortunately figures for the U.S.S.R. national income are published only in the fixed prices of 1926-27, whilst budget data are published in current prices, and, moreover, since 1931, no price indexes have been forthcoming from Soviet sources" (p. 399), an unhappy situation which precludes valid comparisons. He omits, however, all reference to the conflict of official data, of which numerous revealing instances appeared in the columns of the Prague *Bulletin*, with the result that his picture of Soviet development acquires a degree of sharpness and definitiveness not justified, in the reviewer's opinion, by the nature of available information.

The uncritical acceptance of Soviet theories tends to create the impression of a steady progress, largely by the method of trial and error, toward the mastering of the complex forces ruling the economic life of the nation. The author's insistence, in an otherwise admirable chapter on "General Planning", on the improvement in planning methods makes one wonder whether Stalin's scornful reference (in his address before the Eighteenth Congress of the Communist Party in March 1939) to some of the basic proposals of the Gosplan as "fantastic, if not worse", was not a piece of deliberate Trotskyism. Dr. Baykov rightly emphasises that the financial-budget system is the cornerstone of Soviet planned economy. The recent revaluation of the ruble (if revaluation is the right term), however, would seem to refute his dogmatic assertion that "the planning of note issue under the Soviet system of planned economy presents far less technical difficulties than it would under the competitive system" (pp. 414-415), or that "the Soviet financial system succeeded in organizing the country's finances without introducing any disorganization or crisis" (p. 420). The reverse, indeed, would seem to be true. Much of the valuable information marshaled by Dr. Baykov is at variance with his overoptimistic interpretations.

Michael T. Florinsky

Columbia University

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Soviet Foreign Trade. By ALEXANDER BAYKOV. Princeton, Princeton University Press; London, Oxford University Press, 1946.—x, 100 pp. and appended Tables. $2.00.

In this brief survey, Dr. Baykov describes in some detail the organization of the Soviet state trading monopoly and the development of the foreign trade of the U.S.S.R. since the Revolution. Twenty-four pages of statistical data on the volume and structure of Soviet foreign trade are appended. The sources for the bulk of this statistical appendix are not cited, but presumably most of the figures are taken from the Soviet statistical handbook, S. N. Bakulin and Professor D. D. Mishustin, *Vneshniaia torgovliia SSSR za 20 let 1918-1937* (*Foreign Trade of the U.S.S.R. for 20 years 1918-1937*) (Moscow, 1939). This volume, it should be noted, contains more detail than Dr. Baykov presents on the structure of Soviet trade by commodities and countries.

In the chapters on the organization of foreign trade, Dr. Baykov first sketches the evolution of the apparatus and then outlines in more detail the system that was in operation on the eve of the Second World War. Here he lists and describes the functions of the various agencies involved, and outlines the procedures used in formulating the plans for foreign trade. These plans, of course, are an integral part of the plans for the economy as a whole.

The multitude of facts which Dr. Baykov has conscientiously compiled on the development of Soviet foreign trade is leavened only incidentally by interpretative comments, often of a cryptic if not dubious sort. Thus, after detailing the developments under the five year plans, Dr. Baykov explains:

> To a certain extent the reduction in the import of production goods under the second Five-Year Plan and in the following years was due to the creation of domestic industrial capacities but the low level of the import of mass consumers' goods was dictated entirely by considerations of foreign exchange. In the last prewar years . . . the U.S.S.R. was in need of many more imports than it could afford because of the limited possibilities of export trade and foreign credit. Had it been possible to increase exports, or to obtain regular long-term foreign credits, it can be assumed that Soviet import, particularly the import of consumer goods, would have been on a far larger scale than in 1933-1938 (p. 63).

Dr. Baykov perhaps has in mind here that the mere fact of the availability of long-term credits would have betokened to the Soviet leaders a very fundamental improvement in the international political situation, and that they accordingly would have been induced to

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slacken their high-tempo drive for industrialization and self-sufficiency and to emphasize increasingly the improvement of living standards. This, of course, is possible, though debatable. In any case, the foregoing has to be read in the light of the fact, which Dr. Baykov certainly knows, that what the Russians could "afford" to import was to a large extent dependent on their own policies: *given* their high-tempo drive for industrialization and self-sufficiency, they necessarily could "afford" to import very little.

In discussing Russia's post-war trade prospects, Dr. Baykov rightly emphasizes that the availability of credits is again a very important factor. No attention is given, however, to the recent developments in eastern Europe, which already have led to a very substantial increase in the volume of Soviet foreign trade with this area.

While this book will be useful to specialists for reference purposes, this reviewer would advise the general reader, desiring an introductory survey, to turn instead to the study of Alexander Gerschenkron, *Economic Relations with the U.S.S.R.*, published by The Committee on International Economic Policy in coöperation with the Carnegie Endowment for International Peace (New York, 1945). Gerschenkron's essay does not contain as much statistical and other detail, but is incomparably more illuminating on matters of principle.

Abram Bergson

Columbia University

The Future of Australian Federalism: A Commentary on the Working of the Constitution. By Gordon Greenwood. Melbourne, Melbourne University Press, 1946.—xi, 323 pp. 17/6.

American-Australian Relations. By Werner Levi. Minneapolis, University of Minnesota Press; London, Oxford University Press, 1947.—184 pp. $2.75.

The title of Mr. Greenwood's book is a little deceptive. He is not so much interested in supplying an objective "commentary on the working of the constitution" as in sustaining a thesis: that the federal system has failed in Australia and should be replaced by a unitary system. He argues that this is true largely because the constitution was thought out over forty years ago (and based fundamentally on the much older United States Constitution) in relation to an agrarian society just beginning to be nationally integrated, whereas today Australia is increasingly industrialized and more and more integrated nationally. Moreover, Mr. Greenwood is beset by the idea that na-

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tional planning is the inevitable next step in government—though he never mentions socialism—and is convinced that such planning can never succeed under a federal system.

In illustrating his generalized thesis, Mr. Greenwood has composed his commentary; but the thesis came first. The commentary is nevertheless a very useful one, though necessarily lacking in impartiality. It explores all the dark places in the federal system with illuminating results. The kinds of conflicts he discusses will be familiar to Americans from their own experience, but the actual context will be new. He also discusses the Australian efforts to resolve or mitigate the conflicts—for example, the Loan Council and the Grants Commission—very incisively indeed. But always he comes out the door he went in: federalism is an impossible arrangement and only the unitary state has true virtue.

Being a thoroughly honest man, Mr. Greenwood frequently provides evidence that casts doubt upon his excessively ardent devotion to the unitary state. On the one hand he deplores the inability of the Australian federal government, or the states, to provide a thoroughgoing marketing control system, while on the other he correctly says that such marketing schemes as did flourish were organized for the benefit of the producer interests. Does he believe it would have profited Australia if the unitary state had fastened producer-dominated marketing schemes on the entire Commonwealth? He insists that reactionary interests hide behind states' rights, and illustrates the point; but does he contend that the unitary state has invariably escaped control for reactionary purposes? He fails utterly, it seems to the reviewer, to prove that the unitary state would lead to a parallel monopoly of wisdom, or even to the invariable success of his type of political rectitude, at the center. Again, he is at pains to emphasize that in all federal systems there is a strong tendency for the federal government to wax in power and the states to wane. His evidence that this trend has gone farther in Australia than in Canada and America is very compelling; but he uses it oddly. As often it proves that the promise of the early federalists that the states would continue to flourish was false as it proves that the unitary trend is the stronger of the two; and it is never used to prove that governmental systems change with circumstances, though the capacity to adapt is surely a virtue of a high order. Finally as Mr. Greenwood works toward his conclusion he recalls his statement that decentralized administration is possible, desirable, even obligatory under the unitary state, but instead of illustrating the regional nature of Australian problems which makes this

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vitally important, he takes up the rôle of an advocate of a redistribution of powers under the existing constitution to make state responsibility jibe better with state capacity, financial and administrative. (Incidentally, this reviewer is of the opinion that redistribution of powers is needed in Australia far more than the unitary state and that it is more likely to be achieved, if only by a process of erosion of state responsibilities. But he would hang on to the federal system nevertheless.)

If the evidence Mr. Greenwood includes often throws his thesis askew, and leads him to advocate less than his full demand, his omissions are also somewhat peculiar. For example, he fails to examine the work of the River Murray Commission which has been functioning since 1917 with the collaboration of three states and the Commonwealth to govern the most important irrigation waters in Australia. What does its record tell us of the possibility of infusing national purpose into an interstate organization necessitated by a federal system? Again, he fails—oddly—to examine the T.V.A. idea of how to plan across state boundaries on a regional basis, although the T.V.A. approach is well understood in certain quarters in Australia. He also says nothing about the arrangements underlying the American social security system.

In short, Mr. Greenwood is hag-ridden by his rather ruthless thesis and has not sufficiently examined his own evidence and that elsewhere available to acquire a reasonable skepticism about the alleged virtues of the unitary system. The reviewer rudely suspects that the reason for this is found in his Preface: "The stimulus of Professor Laski's personality and teaching is too well known to require comment." Laski's hostility to federalism is also too well known to require comment.

Professor Levi's little book is a pioneer study in the history of United States-Australian relations. Within its limits it is a good and useful book, but it is sadly lacking in a sense of the realities of the Australian political-intellectual milieu. It proves that documents are not enough. And even as to documents, it has its weaknesses. The bibliography omits a long list of relevant Australian material. It is to be hoped, however, that Professor Levi will go on with his studies and revise his monograph as the documentation comes to his hand.

C. HARTLEY GRATTAN

KATONAH, N. Y.

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Puerto Rican Paradox. By VINCENZO PETRULLO. Philadelphia, University of Pennsylvania Press; London, Oxford University Press, 1947.—vii, 181 pp. $3.00.

The Stricken Land: The Story of Puerto Rico. By REXFORD GUY TUGWELL. Garden City, Doubleday & Company, Inc., 1947. —xxxi, 704 pp. $4.50.

Ever since the Brookings Institution published its report on Puerto Rico in 1930, there has been a steady crop of books calling the attention of the American people to the economic and social plight of that tropical island. The latest diagnosis of its ills has been made by two social scientists: former Governor Rexford Guy Tugwell, a well-known economist and New Dealer, and Vincenzo Petrullo, an anthropologist who has conducted expeditions among primitive indians in South America.

The two books are quite dissimilar in contents and value. Petrullo's interpretation of Puerto Rican life is well intentioned, but has little originality or depth. It is full of generalizations, based on personal impressions and the perusal of the standard literature on the subject. It emphasizes the well-known fact that Puerto Rico is a densely populated island with scant natural resources, and describes the government's efforts to find new sources of wealth and to achieve a better distribution of the insular income. The book lacks the scholarly touch and also fails as a readable introduction to the island's contemporary history. Mr. Petrullo is right when he advocates a more realistic approach to Puerto Rican problems; but his frequent derogtory statements regarding poets and philosophers as being responsible for Puerto Rican resistance to American cultural penetration sound too trivial to be taken seriously. One may also note a recurring anti-Hispanic bias which vitiates his attempt to analyze the cultural interaction involved. To think, as Mr. Petrullo obviously does, that there is nothing good in the Spanish inheritance in present Puerto Rico, and that all progress came with the Americans, is to hold a naïve view of history. In criticizing Puerto Rican national pride, Petrullo evidences a narrow nationalism of his own, out of keeping with the broadmindedness required of the social scientist.

Tugwell's book, on the other hand, is above all an *Apologia pro Vita Sua,* although its rambles show at times little regard for order and objective analysis. It is a rich source of information on the way Puerto Rican affairs are handled and mishandled by the federal government and the best description there is of the functioning of the executive power in the island. It also explains why Tugwell has been the most controversial governor in Puerto Rico's long list of foreign-

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born executives. The book is the story of a professor turned politician, who stages a comeback into the national limelight, by attempting to redeem a neglected colony of its sufferings, while helping America fight its enemies from one of the leading outposts of hemispheric defense. An apostle of planning and technocracy, Tugwell tackled the governorship with great confidence in his abilities as a statesman. At the end of the road, he found himself a disillusioned man. Highly self-centered, his otherwise fine academic mind is too prone to find that on almost every occasion the governor was right and his enemies —or his friends—were wrong. He is impatient and bitter with anyone who opposed him. Not even Puerto Rico's ablest politician and Tugwell's close friend and associate, Senator Luis Muñoz Marín, escapes the Tugwellian reproach. In spite of the praises he showers upon Muñoz from time to time, one gets the impression that Tugwell thinks he himself was the real guiding force behind the progressive program of economic reform which developed under his governorship —a statement which every student of Puerto Rican affairs would readily question.

The Tugwellian record as portrayed in this book is full of drama and generous dreams. It is partly the story of the making of a "team" to save Puerto Rico, with Franklin Delano Roosevelt as the captain, and Luis Muñoz Marín and Rexford Guy Tugwell as his trusted lieutenants. The insular drama unfolds in a much vaster dramatic setting; for the war came to Puerto Rico quite unexpectedly, when it was bracing itself to put into effect an ambitious program of social and economic reform. Tugwell's task was, therefore, extremely difficult. He had to implement a local reform program and provide urgent civilian support to the defense of a vital bulwark. There is no doubt that he had courage and vision in those trying days. He was perhaps the first governor to realize that the island was not a Lilliputian world by itself, but a very important member of the Caribbean culture area. He did his best to provide an administrative setup to a dynamic program which could not wait; and he introduced new ideas in public administration. In so doing, he placed his faith in young executives, with American training, against the old "politicos".

The Stricken Land is a pathetic book. It is not only so because it reveals so much of the pathos hidden in the Puerto Rican soul. It is pathetic also because, as far as the author is concerned, the death of the liberal president and Tugwell's return to Chicago marked the end of a dream, the governor again becoming professor after striving to create a tropical Utopia.

ARTURO MORALES

UNIVERSITY OF PUERTO RICO

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Elements of Democratic Government. By J. A. CORRY. New York, Oxford University Press, 1947.—viii, 507 pp. $3.75.

This book, by the Hardy Professor of Political Science in Queen's University, was prepared originally with the special needs of Canadian students in mind. It has now been adapted for use in American colleges. Many colleges have adopted it already and their number is likely to grow in succeeding years. This is one of the most intelligent attempts made recently to write an introduction to comparative government for the use of undergraduates.

Professor Corry deals with institutions, trends and problems in the United States, Great Britain and Canada. He is concerned less with elaborate description of machinery than with the analysis of general tendencies, illustrated by specific examples. The topics covered include those usually found in such treatises—constitutions, executive, legislature, parties and pressure groups, judiciary, civil service and local government—as well as chapters on the expansion of government activities, the relationship of the executive to the legislature, the administrative process, federalism and the contrasts between democracy and dictatorship.

The particular combination of countries used proves especially illuminating when applied to such matters as the relationship between the executive and the legislature. Like Britain, Canada has a cabinet system. As in Britain, too, complaints are constantly heard there about cabinet "dictatorship" and other evils of executive domination; but realistic analysis shows the executive to be a much poorer thing in Ottawa than in Westminister. "Vague in programme and weak in mandate, the Dominion government, except in the crisis of a great war, is vacillating and temporizing, not given to vigorous measures" (p. 242). The reason for this is the nature of political parties, which are in Canada as in the United States loose federations of regional organizations rather than strongly national machines. And the reason for such a party system, of course, is to be found largely in the facts of geography.

Significant contrasts, if not comparisons, are possible, too, between Canada and the United States in the matter of federalism. Adopting this system of government from the United States in 1867, Canada sought to correct the weaknesses and mistakes revealed by seventy-five years of experience on this side of the line. Her federal system was meant to be so strongly centralized that no states' rights doctrine or disputes over distribution would ever arise. But environment and circumstances, not to mention the Privy Council, are stronger than the wills of men. While the powers of the federal government in

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the United States are much greater than in 1787, those of the federal government in Canada are less than was intended in 1867. In the explanation of these contrasting trends lie many lessons for the student of government. It deserves perhaps more attention than Professor Corry gives to it.

Perhaps, too, the author has not cast his net widely enough for profitable consideration of some other topics. On political parties there is some general discussion of their functions, followed by description of the party system in the three countries under review; but there is very little about general trends in democratic party systems or about the contrast between them and those prevailing in the dictatorships. The chapter on representation is good in its analysis of proportional representation, territorial versus occupational principles, and the initiative and referendum. There is little specific description of the representative system in any one country in such terms as the conditions of the franchise, mode of conducting elections, and so on. The plan of the book is such that this sort of detail is not to be expected. A later edition, however, might well include a more systematic attempt to show how the pattern of representation in modern government is changing due to the growth of executive powers, the expansion of administration and similar trends.

Students find Professor Corry's book clear, readable and stimulating. Its author deserves the warm thanks of teachers.

THOMAS P. PEARDON

BARNARD COLLEGE

The Battle of the Atlantic, 1939-May 1943. Volume I of *History of United States Naval Operations in World War II.* By SAMUEL ELIOT MORISON. With an Introduction on "The United States Navy Between World Wars" by Commodore Dudley Wright Knox USN. Boston, Atlantic—Little, Brown and Company, 1947.—lx, 432 pp. $6.00.

The "Battle of the Atlantic" was really a war in itself. It involved high strategy, a complexity of constantly changing tactics, and major, minor and continuing actions. Certainly the outcome of this battle had a lot to do with the outcome of a global war. Yet the secrecy with which this long struggle had to be waged resulted in a general ignorance of its nature. The sailors who fought a losing battle with German subs during the war's early months, or who participated in the suicidal "Murmansk Run", might well have felt bitter at the publicity given early actions in the Pacific. That

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most of them did not was due to the fact that they realized the importance of the work, and that they knew that their gradually won victory was dependent upon secrecy. Few civilians realized either the nature or the importance of this struggle to keep open the trade routes to Britain and Russia; this should be proof enough of the interest that will greet this present volume.

Mention has already been made in this publication (September 1947, p. 453) of the fourteen-volume *History of United States Naval Operations in World War II*, to be prepared by Mr. Morison. The present volume is the first in chronological order; volume II, *Operations in North African Waters, October 1942—June 1943*, has previously appeared. The potential importance of this series was indicated in the present writer's review of that earlier volume; the quality of this volume underlines every favorable comment that was previously made. The defects most criticized in the earlier volume are not apparent in this.

The Introduction is a thirty-page essay of negligible importance on "The United States Navy Between World Wars", by Commodore Dudley W. Knox USN (Ret.), senior historian of the Navy. The general scope of the volume, as well as its relationship to other volumes in the series, is indicated in the author's preface:

> *The Battle of the Atlantic* attempts to include all United States naval operations in that Ocean, from pole to pole; and in the Caribbean, Gulf of Mexico, Barents Sea and Atlantic territorial waters. The story will be continued from the middle of 1943 to the end of the war in Volume IX. Mediterranean operations, including those of the Atlantic coast of Morocco, will be covered in Volumes II, VIII and X; the Invasion of Normandy in Volume X.

Professor Morison sets the stage for the conflict in his first chapter, discussing the strength of the Nazi Navy and German naval policy, the Royal Navies, and the Neutrality Patrol of the United States Atlantic Squadron. The second chapter tells of the transatlantic convoys that sailed under Anglo-Canadian supervision between September 1939 and the end of 1940. Two chapters relate the events and decisions of the first eight months of 1941 when we were engaged in a "short of war" strategy; another covers the next three-month period when our Navy had actually joined battle with the Nazis. Single chapters are devoted to the German submarine offensive, to what the author calls the "North Russia Run", and to "Missions to Malta". More than half of the volume is devoted to our counteroffensive against submarine warfare. A short, concluding

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chapter offers a scholarly and valuable analysis of the naval situation, from both German and Allied points of view, in April 1943.

The author, competent historian as well as accomplished sailor, is quick to recognize official mistakes. He points out, for instance, that we nearly lost the battle with the German subs for want of small, antisubmarine craft; and he goes on to show that the lack of these craft was the Navy's own fault, and was due to the failure of top-planners to heed President Roosevelt's advice (p. 230). He also lashes out at civilian selfishness, although recognizing that it was partly accounted for by a general ignorance of how close we were to losing this battle of the supply lines. He points out that in the fall of 1943 the work of the Coast Guard 83-footers was limited "in order that civilians might enjoy a certain amount of pleasure driving" (p. 268).

Neither historian nor sailor, nor even jealous branches of the armed forces, can justly accuse the author of this volume of bias or carelessness or ignorance. The volume is excellent history. The author's attention to detail results in occasional overcrowding, but the presentation is always clear and smooth, sometimes truly brilliant. This is a hard-hitting, comprehensive work that should grow more valuable with time.

Ralph Adams Brown

Cortland State Teachers College

French Personalities and Problems. By D. W. Brogan. New York, Alfred A. Knopf, 1947.—ix, 241 pp. $3.00.

This collection of articles and essays on various aspects of French politics and culture was, for the most part, written during the war. Some of it, as a consequence, is inevitably superseded; but the broader question of the rôle and place of France in the order undergoing at present the painful process of birth retains considerable importance.

This should be even more true for the American than for the British reader for whom these pieces were primarily intended. The central fact, of course, is the "collapse" of 1940, a term to which Mr. Brogan takes exception as too reminiscent of the Anglo-Saxon tendency to equate success with virtue. The point may be argued, but certainly there was, in 1940, a great readiness to seek the causes of disaster in moral flaws and romantically picturesque explanations rather than in a sober estimate of the material balance of forces. A consideration of these would have sufficed and, even though moral factors should not be left out of the reckoning, Mr. Brogan quite rightly stresses the fact

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that it was France and Britain who, in 1939, declared war on the Third Reich; it was neither Russia seeking to play the rôle of *tertius gaudens* in the conflict, nor undecided and reluctant America, both of whom entered it eventually, though neither of her own volition.

Americans, fond of simple explanations and extreme views, have perhaps been too ready, like Marshal Smuts, to write off France, either in terms of effective power or as a moral factor. The present power of America and Russia, and the decline of French and British power, are simple facts which no one will contest. But it is also a fact, which it would be dangerous to ignore, that both Britain and France have long played dominant rôles in the world at large. For Europe, France has in some ways been more significant than Britain, and the examination of the moral factors and of the stresses in French society is both legitimate and necessary; for, especially since the Revolution, France has been the battleground of the two great antithetic ideas of the strong state and the rights of the individual. The peculiar conditions and history of the Anglo-Saxon world make it untypical, and, in a sense, the issue has greater reality in France where the contest has been more recent and bitter.

The discussions of Maurras, Barrès, Jaurès, Alain and others are very apposite at this point. The more extravagant vagaries of extreme French nationalism may be written off as bad taste, and long before 1914 the possibilities of monarchical restoration had lost all reality; but there was real strength in Maurras' position when put in the aphoristic form: " there have been states without justice, but no justice without the State ". Maurras, as an anti-Dreyfusard, was on logically solid ground: the specific facts in the case were for him essentially irrelevant. The weakness of Maurras lay rather in a boasted—and brutal—realism, which yet was backward-looking and inconsistent; obsessed with the value of Frenchness, he remained wilfully blind to the nature of the forces at work in the modern world. At the other extreme, a character like Alain helped to foster the illusion that a political philosophy was tenable that took no account of the outside world and of the element of power. There is not a little irony in the fact that the blind believer, Maurras, and the complete skeptic, Alain, met at last on the common ground of acceptance of German victory and its sickly creation, Vichy.

For Europe, it is a unique and novel situation when the three most important Powers of the moment are all in varying degrees extra-European. But a solution of the problems of Europe cannot, in the long run, be merely imposed from outside. The real significance of France

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—an important physical part of Europe in any event—lies in her political and moral leadership. A Europe without France in this sense may be conceivable, but, as Mr. Brogan rightly stresses, it would be a very different Europe from the one we have known. The world does move to be sure, and if solutions cannot be imposed upon Europe, in its present state of weakness and transition, outside forces cannot but have considerable influence. It is well to be aware at least of the values for which we stand and of the nature of the European complex. To this understanding Mr. Brogan's sympathetically fair discussion is a useful contribution; the fact that he carries his learning with lightness makes it an attractive one as well.

RENÉ ALBRECHT-CARRIÉ

BARNARD COLLEGE

The following volumes in COLUMBIA STUDIES IN HISTORY, ECONOMICS, AND PUBLIC LAW have recently been published, or are now in press.

534—*The Theory of Welfare Economics*
By Melvin Warren Reder. Price, $3.00

535—*American Diplomacy and the War of the Pacific.*
By Herbert Millington. Price, $2.50

536—*Fernando Wood of New York.*
By Samuel A. Pleasants. Price, $3.00

537—*American Interest in Cuba, 1848-1855.*
By Basil Rauch. Price, $3.75

538—*The Inquisition at Albi.*
By Georgene W. Davis. *In press*

539—*The Impact of the Undistributed Profits Tax, 1936-37.*
By George E. Lent. Price, $2.50

540—*American Historians and European Immigrants.*
By Edward N. Saveth. Price, $3.00

541—*The History of Basic Metals: Price Control in World War II.*
By Robert F. Campbell. *In press*

542—*The Foreman in Industrial Relations.*
By Robert D. Leiter. *In press*

The entire list is published by the Columbia University Press, New York City; and in Great Britain and India by the Oxford University Press, London and Bombay.

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JOHN BASSETT MOORE

With deep sorrow the editors of the POLITICAL SCIENCE QUARTERLY record the death of their colleague, John Bassett Moore, on November 12, 1947.

For many years Judge Moore played a prominent part in the activities of the Academy of Political Science, of which he was an honorary member at the time of his death. His notable articles and book reviews appeared frequently in the pages of this QUARTERLY, while he was an active member of its editorial board.

Born on December 3, 1860, graduated from the University of Virginia in 1880, and an Assistant Secretary of State of the United States at the age of 26, John Bassett Moore came to Columbia in 1891 to hold the Hamilton Fish Professorship of International Law—a post created for him. He remained a member of the Faculty of Political Science until 1924, when he resigned because of the pressure of his duties as a judge of the Permanent Court of International Justice at The Hague.

During this third of a century, presidents and secretaries of state frequently called upon him for service to his country. Again as Assistant Secretary of State for six months in 1898, he served as Secretary and Counsel to the commission to negotiate peace with Spain. In 1913, at the express request of President Wilson, he accepted office as Counselor of the Department of State with power to sign as Secretary. Over the years he was secretary, counsel or a delegate to many international conferences; and numerous presidents—notably Benjamin Harrison and Theodore Roosevelt—consulted him on important questions of foreign relations. International recognition of his standing as a lawyer, and confidence in his character and sense of justice brought about his appointment as a member of the Permanent Court of Arbitration at The Hague, and, even though the United States was not to be a member, his election as one of the first judges of the Permanent Court of International Justice.

Judge Moore influenced the formation and practice of international law and diplomacy not only through his activities in public life, but also through his scholarly work. His *International Law Digest* broke new ground in the organization of official material and of cases for the use of scholars, government officers and practitioners; his interest in international arbitration, which culminated in his editorship of the

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series of volumes entitled *International Adjudications, Ancient and Modern,* sprang from his firm belief in the judicial settlement of disputes as a means of promoting peace and good will among the nations. He was also the author of many books and articles which fill the seven volumes of his recently published *Collected Papers.*

Judge Moore's writing was stamped with great erudition, enriched from his association with men in the Administration and in Congress, who were influential in forming American foreign policy, and was notable for charm of expression and clarity in the use of the English language. He had a good classical education. He was learned in history. He steeped himself in great literature. His writing had an easy allusiveness which always gave it charm, and ofttimes a raciness of expression.

Recognition of his talents was widespread both at home and abroad. A number of universities made him a Doctor of Laws *honoris causa.* He was a member of the *Institut de Droit International* and of other international organizations. He was president of the American Political Science Association in 1914 and a member of the American Philosophical Society from 1907.

Judge Moore never permitted public service or scholarly work to interfere with his devotion to teaching at the University. To his students, in classroom and in study, he gave time and sympathy in full measure. His *Collected Papers* contain many book reviews which show how generous he could be in appraising the work of younger men. They contain, also, never-to-be-forgotten examples of the way in which he could use the scalpel of ridicule to disclose pretense.

John Bassett Moore's colleagues in the Faculty of Political Science remember him as one of its most companionable members. His free sharing of his profound learning, which he so lightly carried, his reminiscences of the public men of his time, and his gift for story-telling have left many happy memories with those who knew him. He demonstrated that wit and humor are not incompatible with profundity and that scholarship need not be dull.

When Frederick the Great took Silesia, he remarked cynically that he could get some professor of international law to justify his actions. If John Bassett Moore had been alive then, the Prussian King would have known that there was one international lawyer whose intellectual integrity was not for sale.

On the Faculty of Political Science, only Burgess, Munroe Smith, Goodnow, Seligman and Osgood were senior to Judge Moore. He was the last survivor of those stalwarts who made that Faculty so outstanding in the last decade of the nineteenth century.

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THOMAS W. LAMONT

For many years Thomas W. Lamont was the patron saint of the Academy of Political Science. He became a member of the Academy in 1909, a Trustee in December 1910, and he served as Vice President from 1915 through 1919. He was also chairman of the Committee on Meetings and a member of the Program Committee for the semi-annual meetings.

These were, however, but the outward trappings of a continued enthusiastic interest in the affairs of the Academy which gave it the essential spark of life. His searching judgment was always ready to guide the choice of topics and speakers, and many speakers from abroad were his personal guests. All this he did so easily and so unassumingly that we were hardly aware of his guidance.

He participated at least nine times in the meetings of the Academy, either as a speaker or as a gracious presiding officer at one of the dinners. The first time was in 1915; the last in 1940. Among the subjects he discussed were "The Economic Situation in the Orient", "The Dawes Plan and European Peace", "Phases of the World Depression", "Aspects of the American Railroad Problem", "American Business in War and Peace".

That so busy a man as Mr. Lamont, burdened with public as well as business responsibilities, should have found the time and interest for the Academy reflected his philosophy of the importance of education in national affairs. Born in a parsonage, he inherited from his father a lively interest in the means by which public opinion is formed. His first position after college was as a newspaper reporter. Later he was concerned, just after World War I, in a renaissance of the *New York Evening Post*. All of his life he maintained contact with the people of the press and was ready to spend time with them. He was accessible to people in all walks of life.

While he never discussed it with us, we knew without the need for explanation that he believed in the Academy as an important educational instrument for bringing to bear on current public questions

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the joint impact of the University and the world of affairs. It was a way to combine theory with practice, to apply a corrective to academic dogma on the one hand and business nearsightedness on the other. He was always reaching out for fresh points of view.

It is neither necessary nor appropriate here to recount Mr. Lamont's services to his generation as a sound business man and banker, his counsel to public men—most of it confidential and unpublished—and his own very great contribution to public affairs and to education. He was one of the leaders of his generation through troubled times and two wars.

By the Directors of the Academy he will be remembered as a kindly, gracious friend; interesting, witty, incisive, but wonderfully considerate of others; a leader, but a gentle one. No one can ever quite take his place.

We can do no better than to quote here from the prayer offered by the Reverend Paul A. Wolfe at Mr. Lamont's funeral on February 7 at the Brick Presbyterian Church:

> We praise Thee for the gift to our time of this Thy servant whose life and work we gratefully remember before Thee. We thank Thee for his force of mind, his clarity of vision, his wisdom in counsel; we thank Thee for his discerning judgments, his far-reaching sympathies, his inclusive loyalties; we thank Thee for the friendliness and tenderness of his spirit which uplifted and drew all men to him. We thank Thee for all goodness and truth which have passed from his life into the lives of others and made the world richer for his presence.

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